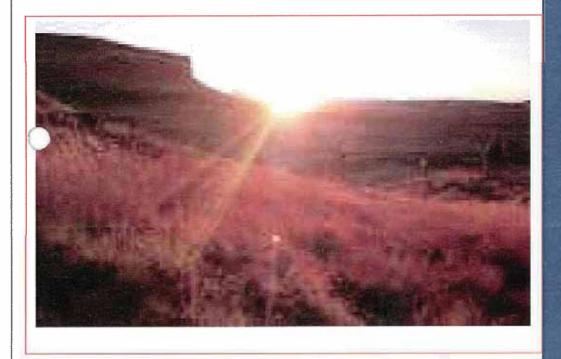


2014/2015 ANNUAL REPORT



### TABLE OF CONTENT

CHAPTER ONE: MUNICIPAL OVERVIEW	. 6
CHAPTER TWO: GOVERNANCE	.17
CHAPTER THREE: SERVICE DELIVERY PERFORMANCE	.29
CHAPTER FOUR: ORGANIZATIONAL DEVELOPMENT	.80
CHAPTER FIVE: FINANCIAL PERFORMANCE	90
CHAPTER SIX: AUDITOR GENERAL'S REPORT	95
APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE	.108
APPENDIX B: COMMITTEE AND COMMITTEE PURPOSE	110
APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE	112
APPENDIX D: FUNCTIONS OF MUNICIPALITY/ENTITY	113
APPENDIX E: WARD REPORTING	113
APPENDIX F: WARD INFORMATION	114
APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE	115
APPENDIX H: LONG TERM CONTRACTS AND PUBLIC PARTNERSHIP	119
APPENDIX I: MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE	11
APPENDIX J: DISCLOSURE OF FINANCIAL INTEREST	119
APPENDIX K: REVENUE COLLECTION PERFORMANCE	120
PPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG	121
APPENDIX M: CAPITAL EXPENDITURE-NEW&UPGRADE/RENEWAL PROGRAMMES: INCLUDING MIG	122
APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR	123
APPENDIX O: CAPITAL PROGRAMME BY PROJECT PER WARD CURRENT YEAR	124
APPENDIX P: SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS	125
APPENDIX Q: SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE	
PROVISION	125

APPENDIX R: DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY	126
APPENDIX S: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA	
s71	126
APPENDIX T: NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL	
GOVERNMENT	126
LIST OF ABBREVIATIONS	127
VOLUME II: ANNUAL FINANCIAL STATEMENTS	129



# MAYOR'S FOREWORD (CLLR J.E SIGASA)

Once more, that time has come where we need to give full account of our last financial year's performance as a municipality and give report on the extent in which we have gone in changing the face of our communities for the better.

Section 46 of the Local government: Municipal Systems Act (Act 32 of 2000) and read with Section 121 and 127(2) of the Local Government: Municipal Finance Management Act (56 of 2003) compels the municipality to proper and produce an annual report for each financial year and for the Mayor to table such a report in the Council within seven months after the end of each financial year.

It is often a very complex exercise to provide in detail a complete account of the responsibilities conferred on us by our electorate more so through a report of this nature. However, we owe it to our people and to our beautiful land to create an accountable and responsive local government.

It's always an honour and a privilege for me as the Mayor to present this timely Annual Report of Mafube Local Municipality for the 2014/2015 financial year to the Council, the broader community of Mafube, those who live, work, pray and play in our jurisdictional area and as well as our many stakeholders and partners with whom we continue to work towards our collective goal of creating a viable, developed and sustainable municipality

The intention of this report remains firstly, to provide an insight into our approach to governance and service delivery. Secondly is to give full account of the progress in the implementation of both the Integrated Development Plan as informed by the broader vision

Of the National Development Plan and the Service Delivery Budget Implementation Plan as duly adopted by the Council.

The achievement of service-delivery targets and deliverables are required to be viewed together with the municipality's financial performance and our compliance with the whole suite of municipal legislative framework

We have endeavoured in our operations to address the expectations of our communities as expressed throughout the consultative public meeting platforms which we convene from time to time amongst which were Church and Transport Indaba and Crime Prevention Summit as part of the broader Mayoral Izimbizo programme.

Despite our financial shortcomings, like in all other previous years, we have continued to embark on a sustained assault on the historical backlogs particularly in relation to the bulk infrastructure, e.g. roads, housing, water, sanitation and electricity. Of course, we remain mindful of the many challenges that still lie ahead in our quest to deliver a revolutionary objective of a better life for all our people.

As a municipality, we continue to put aside financial resources on education as an apex priority in our country to take our learners to various higher education institutions. This intervention has seen many of our young people who otherwise would have not accessed the universities and Colleges, received a life time opportunity to enter the higher education space to change the fortunes of their lives and that of their families.

In the true spirit of "Batho Pele" principle and the "People shall govern" policy, we continue to promote public participation and joint planning with our people through engaging different sectors. In the year under review, we have implemented the extended leg of the Mayoral Imbizo Programme by convening amongst others, the Church Indaba, Transport Indaba and the Crime Prevention Summit to engage of issues of mutual interest. We will continue to create platforms with different sectors to promote mass participation culture amongst our people.

We believe that this Annual Report highlights a large number of the positives that exist in the Mafube Local Municipality that, if viewed objectively, should give our people a sense of hope and optimism that we remain steadfastly committed to achieving our vision of building a viable, developed and sustainable municipality.

I trust that every person who goes through this report and study its contents from a balanced and fair perspective will concur with our accession when we say, "we are a government at work for better life for all"

I look forward together with Executive Committee, the Mafube Municipal Council and the Management, to continue to pull every plug in building a transformed Mafube Local Municipality in which our vision will be realised.

I remain optimistic that the future of Mafube Local Municipality holds the possibilities of a better life for all who may wish to work and live here. VUKUZENZELE

Councillor J.E Sigasa Mayor



# OVERVIEW BY ACTING MUNICIPAL MANAGER (MR N.A HLUBI)

The Municipal Finance Management Act (MFMA 2003) enjoins every municipality and every municipal entity to prepare an Annual Report for each financial; therefore this Annual Report seeks to:

- Provide a record of the activities of the municipality.
- Provide on the performance of service delivery and budget implementation plan.
- Provide accountability to the local community.

Further, MFMA requires the municipality to report on all aspects of performance, providing a true, accurate and honest account of the goals set by Council. This information should be reflected in the Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP).

The Annual Report is a key performance report to the community and other stakeholders, which, once approved by Council will be availed to them.

It is in the spirit of governance by the people that we deliver this Annual Report to the people of Mafube Local Municipality. This document intends to inform the community of Mafube of the objectives and plans to which we have committed in the human and financial resources against the outcomes as reported in this report.

Mafube Local Municipality has continued to focus on infrastructure maintenance and development, financial viability, good governance, job creation and economic development.

The challenge of consistent collection of rates and taxes remains a sore point in the books of the municipality, despite this, the municipality still endeavours to collect refuse and provide citizens with clean drinking water.

The Audit outcome still is adverse with noticeable improvements, together with all staff, we continue to commit to receiving a clean audit.

I take the time to send our deepest condolences to all households who were impacted by losing their loved ones in the past year and congratulate those who got engaged and married.

I also thank those employees who have retired and those that were in acting capacities for ensuring that the municipality renders the services to the community despite the number of challenges we face. Your commitment and dedication has not gone unnoticed.

Let me also take the time to thank the support that we continue to receive from the Office of the Mayor, Speaker all stakeholders, government departments (National, Provincial, District), media, Office of the Premier and members of the community.

It is our wish and desire to continue to uphold the Constitution, and we invite one and all to be with us as we journey towards being a better country that take care of the needs of its citizens

I thank you

N.A Hlubi

**Acting-Municipal Manager** 

# CHAPTER ONE



### UNICIPAL OVERVIEW

### Introduction

Mafube Local Municipality is one of the local municipalities located within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, Act 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort serves as a home for the headquarters of the municipality. Loosely defined, Mafube is a South Sotho word for a place of dawn.

#### 1.1 THE MUNICIPALITY

Mafube Local Municipality, like other municipalities in South Africa is an organ of state that is made up of Council, Administration and the Community. Each of these components work cooperatively in an interrelated and interdependent manner and each has organised structures.

#### 1.2 COUNCIL AND COUNCIL COMMITTEES

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The Mayor has certain legislative and delegated powers and appoints members of the Executive Committee in terms of sections 60 and 80 of the Municipal Structures Act, 1998. The Executive Committee is accountable and reports to the Municipal Council. The Council also has Portfolio Committees to oversee execution of various municipal functions and programmes so in essence the Council has the following structures to provide political oversight over municipal programmes and these are:

- Municipal Council
- Executive Committee
- Portfolio Committees

#### Council

The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors. The following political parties are represented in the Council:

- African National Congress (ANC) 12
- Democratic Alliance (DA) 3
- Congress of the People (COPE) 2

Mafube Local Municipality performs the following powers and functions in terms of the constitution:

Category B Functions	Category C Functions	Provincial and National
Local Municipality	District Municipality	Provincial Government
Air pollution	Refuse removal and solid	Libraries
Building	waste Municipal roads	Housing
regulations	Municipal	
Bill boards and display of	airports Fire	
advertisements Storm water	fighting	
Trading	Markets	
regulations	Cemeteries	
Cleansing	Municipal public	
Facilities, accommodation and burial of	works Electricity	
animals Fencing and fences	regulation	
Local sport facilities	Municipal health	
Municipal parks and	Storm water	
recreation Municipal	Potable	
planning	water	
Municipal public	Sanitati	
transport Municipal	on	
Licensing of dogs		

#### Political structure

The political component of the Mafube LM is based on a Mayoral Committee system. The Mayor has certain legislative and delegated executive powers and appoints members of the mayoral committee in terms of sections 60 of the MSA. The Mayor and Mayoral Committee is accountable and reports to the Municipal Council.

There are various decision making structures within Council which include the following:

- > Municipal Council;
- > Executive Committee:
- > Portfolio Committees
- > Officials with delegated powers.

The Mafube LM Municipal Council currently consists of 17 Councillors, 9 Ward Councillors and 8 PR Councillors. The following political parties are represented in the Council:

African National Congress (ANC)	12
Democratic Alliance (DA)	3
Congress Of The People (COPE)	2

Mafube LM adopted the ward committee system. The municipality is currently divided into 9 wards, each with a Ward Councillor as Chairperson. Ward Committees meet once a month in order to discuss matters affecting its ward. In order to strengthen and improve the ward committee's capacity, a number of Community Development Workers have been appointed.

#### **Executive Committee**

The Executive Committee consists of three (3) members including the Mayor, these are Councillors appointed by the Mayor to perform functions for which the Mayor is responsible. All Members of the Executive Committee were allocated portfolios as per the functions of the municipality.

- CLLR. M.A Mosia EXCO Member
- CLLR. M.C DU Plessis EXCO Member

#### **Portfolio Committees**

Below is a list of Portfolio Committees and Councillors who served on these committees during the year under review.

- 1. Corporate Services
- Cllr. W.C Motloung (chairperson)
- > Cllr. J.J Pretorius
- Cllr. N. Rakoloti
- 2. Community Services and LED
- Cllr. JJ Hlongwane (chairperson)
- Cllr. P Monaune
- > Cllr. M Mofokeng
- 3. Planning and Infrastructure
- Cllr. L Kubeka (chairperson)
- Cllr. U.C Jafta
- Cllr. S.A Mosia
- 4. Financial Services
- Cllr. F Motloung (chairperson)
- Cllr. P Monaune
- > Cllr. P Motloung
- 5. Public Safety and Service Delivery
- > Cllr. M Mofokeng (chairperson)
- Cllr. M Sekhoto
- Cllr. M Hadebe

#### 1. 3 MUNICIPAL ADMINISTRATION

The Municipal Manager is the head of the administration and is assisted by Directors, who manage the Departments of:

- > Finance,
- Planning and Infrastructure,
- Community Services and LED,
- > Public Safety and Service delivery,
- Corporate Services.
- Office of the Municipal Manager, and
- Office of the Mayor.

#### 1.4 COMMUNITY

In accordance with the applicable legislation requiring participation of communities in the affairs of the municipalities, Mafube Local Municipality has established a number of structures and platforms for participation of communities. Over and above the participation of communities in Council meetings, the municipality has also established IDP Representative Forum that serves as a platform for community participation in the formulation and review of the IDPs of the municipality. In addition, the municipality has also established Ward Committees in all the 9 wards within its area of jurisdiction. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes.

The following are the Ward Committees established in various areas of the municipality and the members that constitute them:

W	la	rd	1

Name & Surname	Sector Representation	Area
JE Sigasa		
Skosana Puleng Selina	Social Affairs	Mokaba Village
Molefe Puseletso Frans	Agriculture	Mokaba Village
Tsotetsi Tryphina Khozi	Projects	Magashule Section
Sibeko Nthabiseng Topsy	Education & Human Development	Tholulwazi Section
Mashinini Jabulani Johannes	Faith Based & Traditional Healers	Tholulwazi Section
Sekhoto Nthabiseng Jemina	Sports & Recreation	Mokaba Village
Makhubo Jacob Vusi John	Local Farms & Transport	Palmer Street
		× ×

Ward 2

Name & Surname	Sector Representation	Area
Clir JJ Hlongwane		
Mofokeng Mpuse Maria	Governance	Mamello Section
Mashinini Sonto Sarah	Home Affairs	Seabata Section
Chanye Modiehi Alina	Social Development	Seabata Section
Mosikidi David	Education & Human Development	Sunrise Section
Mokoena Maria	Health	Seabata Section
Gumede Elizabeth Sonto	Sports & Recreation	Mamello Section
Mofokeng Alina	Youth Development	Sunrise Section
Dladla Mziwakhe		Sunrise section
Shabalala Sonto		Sunrise section

#### Ward 3

Name & Surname	Sector Representation	Area
Clir FP Motloung		
Xaba Nomacala Julia	Ward Committee Secretary	Molamodi Str, Qalabotjha
Khanye Authority	(Ward Committee Deputy sec) Youth, Sports, Arts &	Ext 6, Qalabotjha
Mokoena Ntswaki Lucy	Social Development	Ext 3, Qalabotjha
Rutse Malefu Elsie	Housing and Infrastructure	Ext 3, Qalabotjha
Thusi Nunu Martha	Health and Well being	Ext 3, Qalabotjha
Maduna Beigi Simon	Safety & Security	Thuthukani Str, Qalabotjha
Motsoeneng Victor Lehana	Communication & Education	
Ndaba Velaphi	Community Service	
Mokoena Tselane	Local Economic Development	

#### Ward 4

Name & Surname	Sector Representation	Area
Cllr MA Mosia		y n
Gamede Johannes Cishimpi	Infrastructure	Extension 6
Msimaka Lucas Buti	Education	Tshabalala Street
Mokoena Dikeledi Kate	Youth Development & Sports	
Mthembu William Patrick	Agriculture	Molope Street
Leotlela Elizabeth	Religion & Traditional Affairs	Koening Street
Tsotetsi Jemina	LED & Businesses	Mapena Street
Mokuene Rampou Phillmon	Safety and Security	
Mahlophe Mahlopheho	Secretary	Dimaza Street

#### Ward 5

Name & Surname	Sector Representation	Area
Clir JJ Pretorius		
Modise Emily Sussy	Secretary	Mamello Section
Matsole Emely Mamohau	Infrastructure	Mamello Section
Mamotsheare Mphuthi	Health and Social Development	Mamello Section
Mahlamba Mziwakhe Thomas	Safety and Security	Frankfort
Ben De Klerk	Agriculture	Frankfort
Johan Urgerer	Religion and Traditional Affairs	Frankfort
Kgauta Majola	Education and Communication	Butayi Section
Jerminah Khumalo	The street and the st	Butayi Section

Name & Surname	Sector Representation	Area
Cllr M Mofokeng		
Mofokeng Dibuseng Merriam	Sports & Recreation	Butayi Section
Khambule Aletta Buyisiwe	Safety & Security	Butayi Section
Moshodi Lebono John	Safety & Security	Butayi Section
Makhotsa Ntombizodwa Tryphine	Health & Well Being	
Mokoena Dinah Molebollo	Social Development	Butayi Section
Mazibuko Lefina Mashembe	Sports & Recreation	Sunrise Section
Motaung Thandiwe Evelyn	Social Development	

#### Ward 7

Name & Surname	Sector Representation	Area
Cllr UC Jafta		
Skosana Maria Maleki	Health & Wellbeing	Phahameng Section
Masiteng Nomakhubo Emma	Secretary	Phahameng Section
Nkutha Zandile Tryphina	Social Development	Phomolong Section
Motsima Malefa Mabel	Social Development	Phahameng Section
Tshabalala Mthandeki Prinse	LED	Phahameng Section
Mokoena Evelina Maleqhoa	Health & LED	Phahameng Section
Moloi Mathoto Maria		42 4
Motaung Helepi Paulina		

#### Ward 8

Name & Surname	Sector Representation	Area	
Cllr WC Motloung			
Mazibuko Simon Lekgotla	Sports & Recreation	Mokoena Section	
Miya Norah Nondlela	Disabilities, Old Aged & Orphans	10th Street	
Mokoaqatsa Tiisetso	Home Affairs	Winnie Mandela	
Mofokeng Joyce Jwalane	Health & Well being	Extension 1	
Jokanisi Bricks Bulisile	Projects	Mzizi Street	
Skosana William Mohobelo	Education & Human Development	Tsoku Street	
Motaung Elizabeth	Police & Transport	Winnie Mandela	
Dlamini Rosie Hluphekile	Agriculture	Chris Hani	

W	la	rd	9
- 21	ва	ıu	- J

Name & Surname	Sector Representation	Area
Cllr LS Kubeka		
Kubeka Mampele Ema	Health & Social Development	Extension 4
Molefe Anna Ntaoleng	Infrastructure	Extension 4
Zimu Abraham	Agriculture	Tshabalala Street
Morajane Papa	Sports	
Motaung Mmalefu Liesbeth	Religion & Traditional Affairs	Extension 3
Tsotetsi Lebona		Extension 3
Moremi Elizabeth		Extension 3

#### 1.5 GEOGRAPHIC PROFILE

Mafube Local Municipality consists of four (4) towns (Frankfort//Namahadi, Villiers/Qalabotjha, Cornelia/Ntswanatsatsi and Tweeling/Mafahlaneng) as well as a rural area consisting mainly of commercial agriculture. Villiers, Tweeling and Cornelia are located in an area of agricultural significance and mainly provide restricted services in this regard to the surrounding rural communities and primarily accommodate farm workers migrating to these towns. The area of jurisdiction of the Mafube Local Municipality is situated in the north eastern part of the Fezile Dabi District Municipality region. The total estimated residents in the Mafube Region, is 57 876.

Frankfort/Namahadi is situated 55km east of Heilbron and approximately 120km south east of Sasolburg. The town was originally laid out on the farm Roodepoort & named Frankfurt after the German town by Albert van Gordon in 1869. The main street originally named 'Brand Street', later changed to JJ Hadebe Street, named after the 4th president of the Orange Free State, Sir Johannes Brand. During 1883, he visited the town & laid the corner stone of the Dutch Reformed Church. The Council for National Memorabilia declared the Magistrate's Office, Police Station & Post Office National Monuments.

Frankfort/Namahadi remains the growth point in Mafube and plays a major role in terms of a regional service provider and industrial and commercial development and it is a small town typically developed and serving the predominantly agricultural community. The R34 provincial road from Kroonstad to the KwaZulu-Natal Province extends adjacent to the town.

The Wilge River stretches adjacent to the town from south to the Vaal Dam in the north. Frankfort, although mainly an agricultural related town, does provide certain industrial growth potential. The industrial growth potential is mainly agricultural orientated

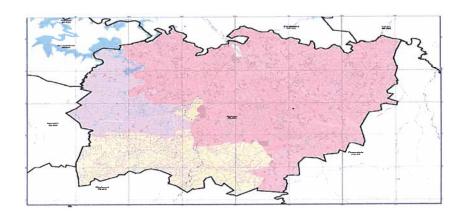
Tweeling/Mafahlaneng is located approximately 150 km east of Sasolburg and 350 km northeast of Bloemfontein and is situated adjacent to the Frankfort/Reitz primary road. Other larger centre such as Vereeniging and Vanderbijlpark are all within 160 km from Tweeling. Primary agricultural activities include sheep and cattle farming, maize and sunflower seed production. Other larger centres such as Vereeniging and Vanderbijlpark are all within 160km from Tweeling.

Villiers/Qalabotjha town area is situated on the banks of the Vaal River, adjacent to the N3 National Road between Gauteng and Durban. In relation to other major centres, the town is located 120 km from Johannesburg, 80 km from Vereeniging and 117 km from Sasolburg and is predominantly agricultural oriented where products such as maize, sunflower, wheat, grain, sorghum, meat and dairy products are produced.

**Cornelia/Ntswanatsatsi** is situated 60km east of Frankfort, 160km east of Sasolburg and 32km south east of Villiers. The town is situated adjacent the R103 secondary road between Warden and Villiers and further located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural area. Substantial future growth of the town is not foreseen.

The Vaal River and Vaal Dam form the northern boundary of the area, which also serves as the boundary between the Free State and Gauteng Province. The Vaal Dam, often referred to as the Highveld's Inland Sea, together with the Vaal River are the most prominent topographical features in the region. This vast expanse of water covers some 300 square kilometres. It serves as Gauteng's principal source of potable water and is a popular water sports and water related adventure venue. The Wilge and Liebenbergsvlei Rivers also drain from south to the Vaal Dam in the north.

FIGURE: MAFUBE LM: LOCALITY MAP



#### 1.6 DEMOGRAPHIC PROFILE

The recent 2011 Census states that Mafube has a population size estimated at 57876. The population of the whole of Mafube is broken down as shown in the following figures:

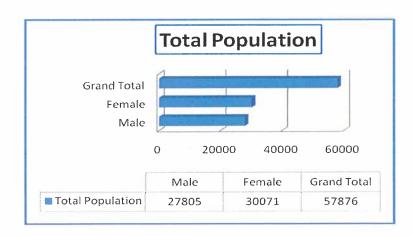
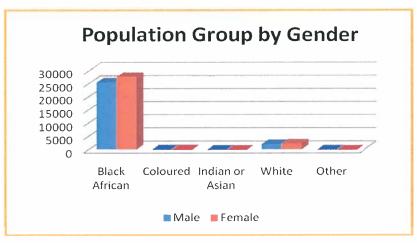


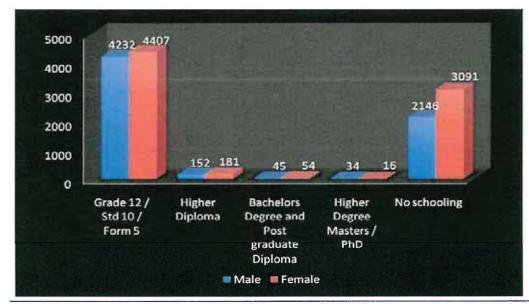
Figure 1.6.2 Population Group by Gender



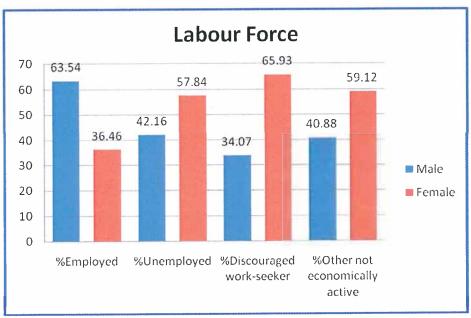
Census as at 2011

#### 1.7 Employment and Education profile

Figure 1.7.1 Gender by highest education level



Figure; Labour force



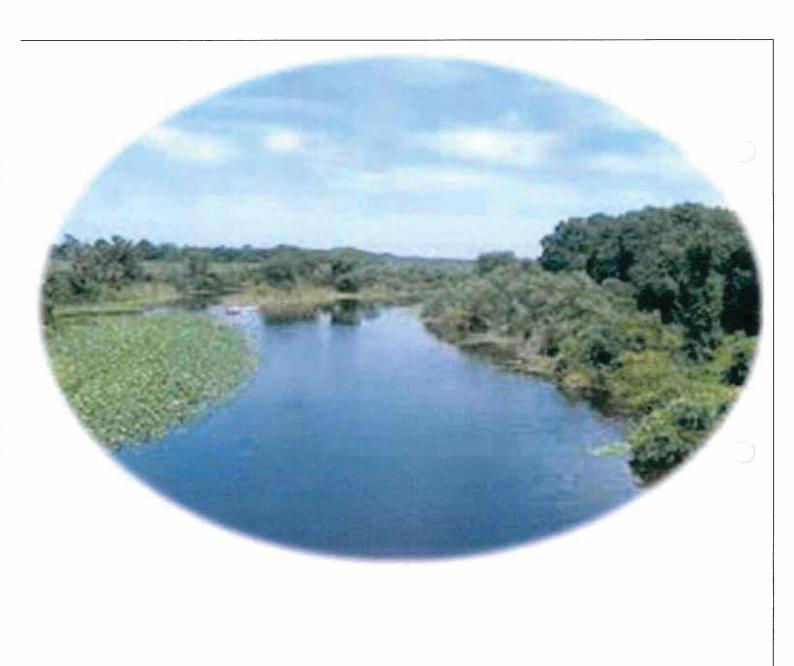
Census as at 2011

1.8 Municipal Services profile

MUNIC	The s			HOUSEH	OLD SERVI	CES	3 1	WI S
FS 205	Flush toilet connected to		Weekly refuse		Piped water inside dwelling		Electricity for lighting %	
	2001	2011	2001	2011	2001	2011	2001	2011
11 515	59,8	77,2	72,3	80,2	16,1	39,8	72,7	84,4

Census as at 2011

# CHAPTER TWO





## **OVERNANCE**

#### 2.1 Governance Structures

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list: The Council established an Executive Committee

comprising the following members to provide leadership and guidance to the administration between Council meetings, The Mayor Cllr J.E Sigasa, Cllr M.A Mosia and Cllr M Du Plessis. The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other forums to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

#### 2.1.1 Political Governance Structure

#### Council

The municipality has a Council made up of 17 Councillors. The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors

#### **Executive Committee**

The Executive Committee consists of three (3) members including the Mayor, these are Councillors appointed by the Mayor to perform functions for which the Mayor is responsible. All Members of the Executive Committee were allocated portfolios as per the functions of the municipality.

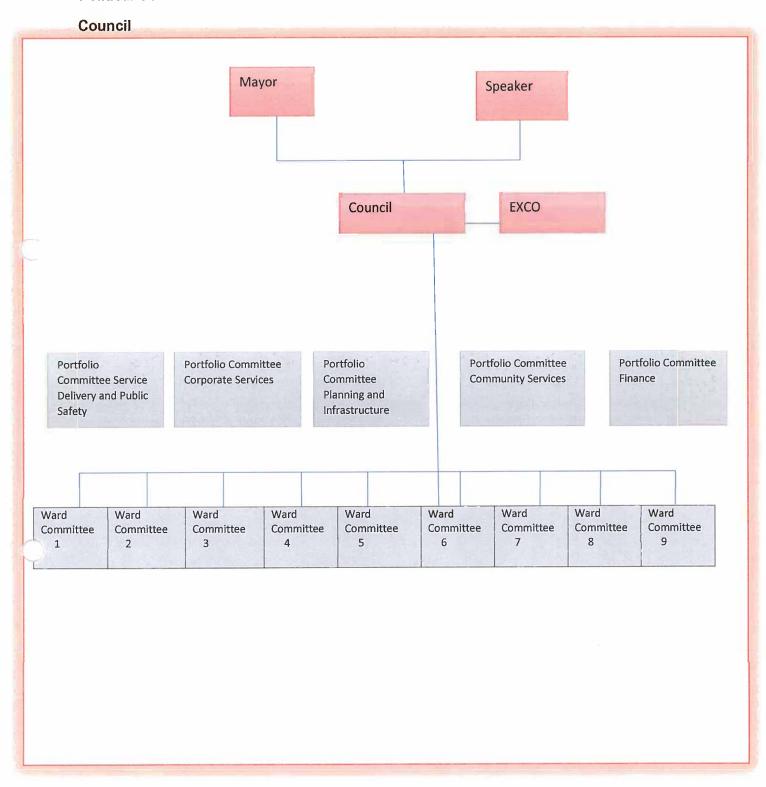
- > CLLR J.E Sigasa Mayor
- > CLLR. M.A Mosia EXCO Member
- > CLLR. M.C DU Plessis EXCO Member

#### **Portfolio Committees**

The municipality also established Portfolio Committees to provide oversight over programmes of various directorates. Below is a list of Portfolio Committees and Councillors who served on these committees during 2014/15 financial year.

- 1. Corporate Services
- > Cllr. W.C Motloung (chairperson)
- > Cllr. J.J Pretorius
- 2. Community Services and LED
- Cllr. JJ Hlongwane (chairperson)
   Cllr. P Monaune
- Cllr. M Mofokeng
- 3. Planning and Infrastructure
- > Cllr. L Kubeka (chairperson)
- Cllr. U.C Jafta
- Cllr. S.M Mosia
- 4. Financial Services
- > Cllr. F Motloung (chairperson)
- > Cllr. P Monaune
- > Cllr. P Motloung
- 5. Public Safety and Service Delivery
- > Cllr. M Mofokeng (chairperson)
- > Cllr. M Sekhoto
- > Cllr. M Hadebe

#### **Political Governance Structure**









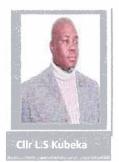
Clir J.J Hlongwane































MAFUBE L.M 2014/2015 ANNUAL REPORT

21 | Page

#### 2.1.2 Administrative Governance Structures

Mafube Local Municipality is a small Executive Committee type municipality with an administration organised into 5 programmes meant to support Council in the implementation of resolutions and policies within the broad framework of the IDP, applicable legislation and the Constitution. The programmes under the administrative leadership of the Municipal Manager are as follows:

- Financial Services:
- Technical Services and Infrastructure
- Community Services;
- Corporate Services; and
- Service Delivery and Public Safety

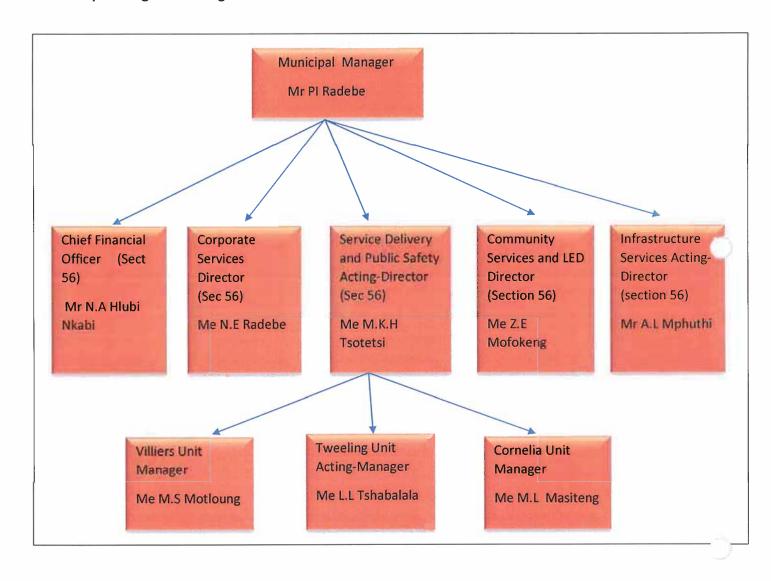
The programmes are structured and organised in a manner that takes into consideration the various constitutional and legislative mandates, powers and functions entrusted in the municipality. The Office of the Municipal Manager serves as a pivot that facilitates interface between the political offices, community and administration as key components of the municipality. The Office is also responsible and ac-countable for the overall implementation of municipal programmes. The Municipal Manager executes his functions in conjunction with or with the support of man-agers accountable to him/her. These managers (Directors) serve as heads of the various programmes highlighted above.

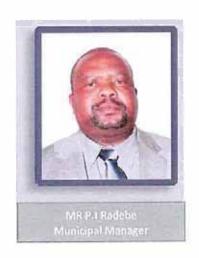
As part of planning, implementation and monitoring of municipal programmes, the Municipal Manager has set up management structures. The most critical is the management meeting. This is a forum that convenes once every week to report progress, review programmes and plan ahead on a weekly basis. The forum is attended by all the Directors, middle managers/supervisors responsible for certain key programmes and the heads of Units or regional offices of the municipality. This is a senior management team responsible for daily management of the municipality.

#### **Executive Management**

The top management team of the municipality referred to above is represented in the diagram below:

#### **Top Management Diagram**







Me Z.E Molokeng Director: Community Services and LED



Me N.E Radebe Director: Corporate Services



Me M.K.H Tsotetsi Acting-Director: Service Delivery and Public Safety



Mr A.L Mphuthi Acting-Director Planning and Infrastructure Services



Mr N.A Hlubi Chief Financial Officer

#### 2.2 Intergovernmental Relations

Intergovernmental Forums utilised by the Mafube Local Municipality:

- Premier's Coordinating Forum (MM and Mayor)
- Premier's Coordinating Technical Forum (MM and Technical Managers)
- SALGA: LED Committee, Finance Committee, Corporate Governance Committee
- DWA: Bulk Water Committee
- COGTA: Infrastructure Forum, IDP Forum, PMS Forum
- District: DCF, DME and Electricity Forum, LED Forum, Finance Forum, Corporate Services Forum, Technical Forum, IDP Forum

#### 2.3 Public Accountability and Participation

#### 2.3.1 Public Meetings

Mafube Local Municipality has cultivated a strong culture of public participation with numerous structures, systems and processes created to deepen public participation and promote public accountability. The municipality continuously advertises and issues notices for their Council meetings to which the public is invited to participate.

In addition, wherever there is a policy or by-law that is to be passed, the municipality regularly issues notices for public participation and/or feedback from the community. In addition, the municipality would also call public meetings where Councillors, officials and communities come together to discuss those policies and by-laws.

In addition, the municipality, under the leadership of the Mayor and Speaker regularly have meetings or 'imbizos' with the community to report on progress and challenges with the delivery of programmes and projects as contained in the IDP and SDBIP and also receive feed-back for corrective action and acceleration of delivery. This year the municipality held an LED feedback summit and Youth Feedback summit:

#### 2.3.2 IDP and alignment

As per the requirements of the legislation and in keeping with the culture of public participation that has been cultivated over the years, the municipality continues to involve communities in the drafting of the new IDP and the Budget.

An extensive community participation programme that saw Councillors and officials crisscrossing the length and breadth of the Mafube consulting communities on key priorities and allocation of resources was unfolded. This community participation

programme that also involved extensive involvement of Ward Committees took place as outlined in the table below:

PHASE	DATES ON WHICH MEETINGS HAPPENED	ACTION FOR THE IDP REVIEW PROCESS
Preparatory Phase	August – September 2014	Draft IDP process plan Submission of IDP Process plan to Portfolio Committee Approval of IDP Process by Council
Analysis Phase	October – November 2014	IDP need analysis Compilation of ward profiles
Strategic Phase	November-December 2014	Development of objectives, strategies, projects & programmes (Mayoral Strategic Workshop)
Project Phase	January – February 2015	Formulation of project proposals Screen, adjust, consolidate and agree on projects
Integration Phase	February – March 2015	Alignment session with District
Approval Phase March – May 2015		Table Draft reviewed IDP to Council Submission of the Draft IDP to FDDM and Cogta Advertisement for comments on Draft IDP Final adoption of the IDP & Budget by the Municipal Council Adoption of the SDBIP by Council

#### 2.4 Corporate Governance

With respect to improving good corporate governance the municipality introduced various measures in the following areas:

#### Risk Management

The municipality has developed a Risk Management Unit which was able to develop a risk management register, risk management policy, risk management charter and the fraud prevention plan which is currently at a draft stage. The municipality has established a Risk Management Committee serving as an oversight on risk management issues within the municipality. The committee managed to hold three meetings in this financial year and will be sitting on a quarterly basis (4 meetings) in the next financial year.

The municipality received enormous support from the Provincial Treasury and the District Municipality in-terms of capacity building and ensuring that Risk Management is effective and efficient within the municipality.

#### **Anti-corruption and Fraud**

The municipality through the assistance of the District Municipality and Provincial Treasury has developed an Anti-corruption and Fraud prevention plan which is still at a draft stage. The municipality will ensure that the draft plan gets approved by Council and be implemented in the next financial year.

#### **Supply Chain Management**

The supply chain processes of the municipality are managed through a dedicated supply chain management unit. The unit is appropriately capacitated in terms of human resources and skills to be able to perform its assigned duties.

The municipality was able to develop an inventory management policy under the supply chain management which will manage the processes of the stores.

The municipality also developed a procurement plan to be implemented in the next financial year.

#### By-laws

The municipality continues to revise and develop by-laws to improve good governance, peaceful coexistence, service delivery and orderly development in Mafube. This financial year the municipality drafted a number of by-laws which were to be subjected to public participation processes before approval by Council. The draft by-laws developed include:

- Waste Removal
- Street Trading
- Outdoor advertising

#### Websites

The municipality's website is <a href="www.mafubemunicipality.gov.za">www.mafubemunicipality.gov.za</a> which is functioning at a fairly basic level. The website is regularly updated through the work of a consultant. The municipality experienced challenges regarding the website whereby there were times where it was not functioning and important documents could not be publicized. The municipality is attending the matter through communication with the consultant on the solutions towards ensuring that municipal website becomes fully functional.

#### **Public Satisfaction on Municipal Services**

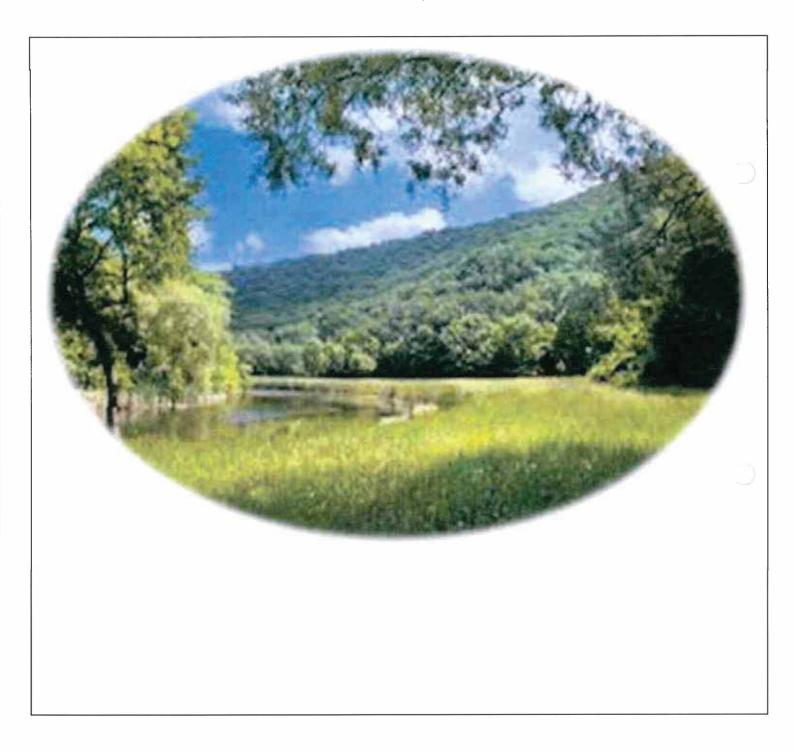
The municipality has not been able to undertake comprehensive public satisfaction surveys on municipal services, municipality however regularly interact with communities through various platforms and structures including lmbizos and ward meetings etc. where feedback on service delivery is obtained and discussed. The municipality acknowledges that this cannot be sufficient

and has engaged on plans to physically conduct the satisfaction surveys and was able to develop a satisfaction survey template which will be used in conducting the survey in the next financial year.

#### **Municipal Oversight Committees**

The municipality has established the Performance Audit Committee and the Municipal Public Accounts Committee which will be responsible to play an oversight role over the executive functionaries of council, ensuring good governance in the municipality and to advise the council and management of the municipality on various matters within the municipality.

# CHAPTER THREE



### ERVICE DELIVERY PERFORMANCE

This chapter focuses on reporting on service delivery based on the objectives and strategies that were contained in the municipality's IDP and SDBIP and the resources that were deployed as per the approved budget for the reporting period under review.

The municipality has five directorates (Service Delivery and Public Safety, Corporate Services, Financial Services, Community Services and LED and Planning and Infrastructure Services) and will outline the service delivery performance under each directorate.

#### SERVICE DELIVERY AND PUBLIC SAFETY DIRECTORATE

#### **RURAL DEVELOPMENT PROGRESS REPORT**

#### BACKGROUND

The establishment and execution of rural development programmes is encouraged and aligns itself to National CRDP (Comprehensive Rural Development Programme) of 2009 as approved by parliament aiming to mobilise and empower rural communities to take initiatives aimed at control of their own destiny - with the support of government. It proposes an approach that addresses basic needs of the person, household, community and space (infrastructure). Its success relies heavily on the participation of other departments in all three tiers of government and the involvement of relevant stakeholders, not least the villagers themselves. This in turn will ensure that the vision of creating vibrant, equitable and sustainable rural communities is realised, and the bleak image that haunts rural areas will finally be eradicated.

The following are the issues attended and outputs thus far i.e. until October 2014 as well as initiatives and processes underway.

Performance Area	Day to day Processes	Purpose	Actual Progress	Evaluation of the Process
Rural	Commercial	To establish and/or	First introductory meeting was held	Completed
Development	Farmers' Mutual	realize mutual working	with seven structures of Agri – Free	
	Working	relationships with local	Stated under the capable	
	Relationship	commercial farmers for	leadership of President Dan Kriek	
	Marketing	extension & sustaining	and the delegation from SAPS on	
		basic service delivery	24/07/2014 at Frankfort.	

	to rural backgrounds for an updated Indigent Register	This meeting also set in the objective of a build – up programme for the ensuing Rural Mayoral Imbizo of 2014, it was in this meeting where it was resolved that a follow up meeting will be held in the following week for structuring and paving way forward to maintained constant working relationships between two parties	
Compilation of Farms Database & Classification of ownership	To obtain an informed, updated database of local farms within the jurisdiction of the municipality, profile them and categorize them into legal and/or registered ownership as per provision in deeds office so as to identify those that are in the ownership of the municipality also for rates & taxes billing purposes	Compilation of database is currently at an advanced level of velocity as undertaken in partnership with the Finance directorate in a form of accounts and property documents verification, a roadshow was undertaken by two directorates through convention of all seven associations of farmers in our locality as follows:  - 29/09 (Riversdal) – Frankfort district  - 01/10 (Van Reenenskop) – Frankfort & Vaal region  - 02/09 (Skurwekop) – Frankfort & Tweeling  - 06/10 (Villiers & Graskop)  - 09/10 (Cornelia) and  - 13/10 (Tweeling)	Completed
		These dates saw registration of 230 farms under all 7 associations registered in the database; the process was undertaken gradually in a sequence of five wards in three units of the municipality i.e. Ward 5 & 7 (Frankfort), Ward 4 (Villiers), Ward 8 (Tweeling) and Ward 1 (Cornelia). An advert was placed on Frankfort Herald calling out to farmers who do not affiliate into associations to attend to municipal finance department for registration.	
Identification & Analysis of Individual Farm Needs	To gather information and report back to the municipality on basic service delivery needs in individual farm per analysis report to assist the directorate in solicitation of necessary Public Participation  Programmes directed	The office of the Speaker from Fezile Dabi District Municipality was requested support in collecting and compiling statistics of ID beneficiaries from all surrounding rural areas for purposes of potential LRB open day with the Department of Home Affairs. This is strategized in the nature of submitting stats to Home Affairs with names of farms for dispatch of a truck to a central farm where Fezile Dabi will assist	Ongoing

NAME OF TAXABLE PARTY.		to each farm per	with transportation of beneficiaries	
		identified need	from other farms; the program is	
			not yet completed because to this	
			end, only following farms were	
			attended to, i.e. Ooploop,	
			Oudersdeel, Klipoog, Anderkant,	
			Vlakfontein (Ward 7 in Frankfort)	
			as well as Beginsel, Krooontjie	
			(Ward 8 in Tweeling), Graigilee,	
			Plakop & Glen Alphen (Ward 4 in	
			Villiers) ended with Grenfell (Ward	
			1 in Cornelia) in all afforded farms	
			of the visit only 9 beneficiaries were	
			noted thus far.	
	Compilation and	To gather information	This was undertaken as a build up	Completed
	Management of	and report back to the	to the then anticipated Rural	
	Rural Schools	municipality on the	Mayoral Imbizo, the directorate has	
	Database	number of rural	embarked upon rural services	
		schools in our	monitoring programme that directs	
		disposal, their capacity	special attention to rural schools. At	
		and also to assist the	this reporting stage, we have	
		department to budget	humanly requested for permission	
		accordingly for support	and cooperation of the farm owner	
		of needy schools and	and managed to re – install and/or	The second second
		scholars	repair windmill pump for the supply	
			of drinking water for school pupils	
			at Kolkie Skool under Tweeling. We	
			will request an intervention from the	
			Mayor's Office at the municipality or	
			Speaker's office at District	
			Municipality to donate a bike for 9	
			years old Radebe Neo who	
			allegedly travels +/- 19 kms in and	
			out of school on a day to day basis.	
			NB: We await an indication of	
			approval for cooperation with the	
			district Department of Education to	1 V V
			also conduct same operation in	
			Marsala Skool catering for 26	
			pupils who like Kolkie Skool have	
			since been carrying 2liters of	
			drinking water each to school on a	DE TELEVISION
			daily basis, in this case no	
			cooperative negotiations have	
1727-1-2019			been entered into with the farmer	
and the state of t		Harry Control	as the pump was installed by the	
Michigan College	,	the state of the	department concerned.	
			,	
			We have at this reporting period	
			also managed to assist with digging	
			a hole for mounting a VIP toilet at	
			Spitzhoek Skool for 18 school	
			pupils who went a long period	
			without such toilet structure. We will	
			again for this school make special	
	1		again for time control make apolial	

request as Kolkie Skool for bikes to be donated for 13 years old Motaung Selina and 9 years old Tshabalala Nombulelo who both succumb +/- 17 kms in and out of school on a day to day basis, this is not only behind the distance concern but also behind their vulnerability of being girls.

Completion of these processes was supposed to pave way to the Rural Mayoral Imbizo that was supposed to kick - start with Crime Prevention Summit. However; the Imbizo could not have materialized with a concern from AGRI Free State (Representing Farmers in our locality) that the institution should first assist the process with focusing on technical issues pertaining to farm accounts as well as valuation roll of their properties so that Mayoral Imbizos are conducted jointly in partnership with all slates clean.

Therefore; all associations have displayed interest in partnering with the municipality in issues of service delivery until their concerns are met and addressed by the municipality.

In anticipation to resolve and unlock rural development programmes, the Acting Municipal Manager (Mr. A Hlubi) had convened a meeting with Farmers' Associations (Free State Agri) on 16/03/2015 where processes of valuation roll and clarification of operative tariffs were discussed per attached minutes. (minutes attached)

The second meeting of this nature was convened on 26 May 2015 where deliberations were made about the validity of the valuation roll, property rates policy as well as rates & taxes policy. This meeting was also undertaken as yet another form of 2015/16 Budget Public Participation process to farmers as beneficiaries. *(minutes attached)* 

#### CHALLENGES

- Administration of Rural Development programmes that are hang ten due to outstanding valuation and other technical issues as registered by farmers associations
- Long anticipation of the Department of Education to unlock intergovernmental relations with the municipality for administration and delivery of basic services to rural schools

#### CORPORATE SERVICES DIRECTORATE

#### Challenges

- Filling of critical vacant posts such as the Director Infrastructure Services
- Poor maintenance of municipal buildings.

#### Highlights

- During this financial year the municipality embarked on a process of reviewing the organizational structure for the implementation in the following financial year (2015/16 financial year).
- The municipality revised the Workplace Skills Plan (WSP) as required by legislation and was submitted to the Department of Labour and LGSETA. The municipality ensured that the identified beneficiary employees were trained in various vocations and the Annual Training Report was compiled and submitted to the Department and SETA.
- Regarding the policies, the municipality developed the following new policies which were approved in the financial year:
  - o -Code of conduct
  - o -Travelling allowance
- On the labour relations front, the municipality continued to improve the overall functionality of the Local Labour Forum. The Local Labour Forum is functioning well and meetings were held many times as expected to attend a variety of labour issues at the workplace.
- The municipality continued with its Occupational Health and Safety by providing the employees with PPEs to ensure their safety at work.
- The municipality was able to appoint Manager Water Quality Services, Manager Environmental Services and the Human Resources Manager.

#### FINANCIAL SERVICES DIRECTORATE

#### Challenges

- Inadequate billing system
- Inadequate asset management system
- The municipality was unable to collect enough revenue, due to high rate of unemployed members of the community not registered as indigents and untraceable debtors
- Not being able to pay the creditors within 30 days as per the legislation

#### Highlights

- The municipality has in place a revenue enhancement strategy which will assist the municipality to be able to improve revenue collection.
- The municipality has embarked on the household profiling which will verify number of households that are able to pay and those that are indigents.
- The municipality was able to develop a new policy under supply chain management which will assist in running the processes of the stores, the policy is the inventory management policy.

#### COMMUNITY SERVICES AND LED DIRECTORATE

#### Challenges

- Ageing working equipment resulted in the services of waste removal within the community being hampered.
- The municipality was not able to make provision of dustbins as planned.
- Cemeteries and parks could not be fenced and paved, however the municipality is in communication with the Department of Environmental Affairs to assist the municipality in this regard.
- Landfill sites are not fenced and the access road is not paved as well, though the municipality was able to get the permits for them.

#### Highlights

- The municipality managed to create 26 EPWP employment opportunities
- The Provincial Government also appointed 96 beneficiaries through the work of EPWP
- The municipality has in place an Integrated Waste Management Plan (IWP) which was approved by Council on the 31st of March 2015.
- The municipality has in place a Local Economic Development Strategy inclusive of Agricultural Development plan and Marketing and Tourism plan which was also approved by Council on the 31st of March 2015.
- The municipality managed to receive the licenses for the landfill sites for the four towns, the municipality also managed to get assistance of R17m from DETEA for the establishment of landfill site in Villiers.
- The municipality embarked on cleaning campaigns which were conducted on a weekly basis
- The municipality was assisted with R1m by the Department of Public Works in refurbishing the parks in the whole area of Mafube.
- The municipality received an assistance of R6m from the DETEA to establish Kgatholoha Park in Namahadi and to maintain Qalabotjha Park in Villiers. The Department also assisted the municipality by planting 500 trees around Mafube.

#### Picture of Qalabotjha Park



#### Picture of Namahadi Kgatholoha Park



MAFUBE L.M 2014/2015 ANNUAL REPORT

#### PLANNING AND INFRASTRUCTURE SERVICES DIRECTORATE

#### Challenges

- Ageing working equipment
- Old, poor maintenance and shortage of fleet.
- The municipality experienced water challenges in some of the areas within Mafube LM

#### Highlights

#### Water provision

- 100 households were provided with new metered yard connections, the process is still in progress and it is done in conjunction with the rapid bucket eradication project.
- The municipality also ensured that all the qualifying households are provided with free
   6kl of water.

#### Sanitation

- 60 buckets have been eradicated through the R-BEP and work is in progress.
- 363 are being funded by FDDM and they are not complete (work is in progress).
- 100 buckets to be eradicated by FDDM and sewer pump station is under construction in Villiers the rest of the buckets will be eradicated under R-BEP.

#### Roads and storm water

- The District is assisting with roads and storm water infrastructure maintenance plan, it
  has appointed a service provider and the work is still in progress.
- The municipality also continued with maintenance of roads as and when was required

#### **Electricity**

- The appointment of a consultant to design and supervise the electrification of 273 households was done.
- Contractor appointed and work is in progress. 180 households will be electrified and a 3km MV feeder line is to be constructed

#### Town Planning

- Planning and surveying of erven, The Human Settlements department has since made an allocation of 2000 residential erven to be planned and surveyed in Mafube local municipality where the 2000 was divided into by the four towns. In Frankfort, about 700 erven are under the planning process, in Villiers 500 residential erven were anticipated but due to space constrains only 247 residential erven can be provided, in Cornelia and Tweeling 401 residential erven are under planning for each town. Therefore the 2000 is now reduced to 1749. In addition 421 erven are already planned and surveyed in the towns of Villiers and Cornelia in a form of subvisions. Procurement of services are underway for the establishment on 200 residential erven in the town of Frankfort.
- Establishment of 700 residential erven in Frankfort/Namahadi have now been surveyed and is approved by the surveyor general as Namahadi Ext.9;
- Establishment of 400 residential erven in Tweeling is on process of being surveyed;
- Establishment of 400 residential erven in Cornelia is awaiting MEC Signature at Townships Board;
- Establishment of 247 residential erven in Villiers is awaiting finalization from DESTEA.
- Regarding the establishment of a Municipal Planning Tribunal, Council has approved the Establishment of an MPT and the publishing of nominating members to serve on the Tribunal. The advert is published and External Members will be nominated by means of publishing a notice in the local media and the internal members will be appointed by the Municipal Manager.

#### STATUS OF THE 2014/15 PROJECTS

#### MAFUBE LOCAL MUNICIPALITY-2014/2015 PROJECTS

PROJECT DESCRIPTION	ACTIVITY	COMMENTS
Cornelia /Ntswanatsatsi Bucket Eradication	Project completed	Retention period complete and retention paid
Namahadi upgrading of gravel to paved roads and storm water drainage	1.1 km complete	780m under construction, the work is in progress
Namahadi construction of water reticulation with 1714 erf connections	Multiyear project	60 erf connections outstanding, work is in progress 97% complete
Qalabotjha Extension of the Waste Water Treatment Works	Multiyear project	61% complete work is in progress
Mafahlaneng/Tweeling upgrading of sports ground	60% complete	Work in progress
Namahadi/Kgatholoha upgrading of sports ground	60% complete	Work in progress
Namahadi MV feeder line		Partially complete
Energy Efficiency & demand Side Management (EEDSM)-		Work in progress
Eradication of Buckets in Mafube	Presidential Programme	Work in progress
Electrification of Namahadi ( Phase3)	180 households to be connected	Contractor on site
Environmental Projects(Management of Parks): DEA		Work in progress.

#### ANNUAL PERFORMANCE INFORMATION.

Actual performance against SDBIP targets set for the 2014/15 Financial Year.

TIE				+:			#		
			Corrective Measure taken/to be taken	Management to be held accountable for target set and not met	Further needs analysis will be conducted	Target met	Management to be held accountable for target set and not met	Controls documents will be sent to the Management and Council for approval in 2015/16 financial year	Target met
			Reasons for Poor/Non Performance	Due to slow responses by the Management and financial constraints	The municipality could function without it	Target met	Due to slow responses by the Management	The Controls documents need to be approved first for the implementation of the existing policies to take	Target met
PORT	AR	ager	Source of Evidence	Action plan	No evidence as the target was not met	Proof of Submission to AG	Internal Audit reports and Management meetings minutes	No evidence as the target met	Certificate of licenses
ANNUAL PERFORMANCE REPORT	2014/2015 FINANCIAL YEAR	Office of the Municipal Manager	Actual Achievement	%08	Not achieved	Achieved	%08	Not achieved	Achieved
<b>NUAL PERF</b>	2014/2015	office of the	Annual Target 2014/2015	100%	<del>-</del>	100%	100%	Approved ICT policies	<del>-</del>
AN		0	Key Performance Indicators	Action plan compiled, approved and implemented	Audit software in place	Annual Financial Statement submitted to the Auditor-General by the end of August each year	Number of internal audit recommendations implemented within specified time frames	Number of ICT policy compiled, approved and reviewed annually	Systems' software
			Objectives	To ensure that the municipality received a Qualification	by 2015			To ensure the effective, efficient and economical managemen	tof
			Programmes	Internal Audit				ICT	
-			Key Performance Area	Financial management and viability					
			Strategic Priority (SP)	more effective financial management and viability	and Institutional development	and transformation			

																		_				
	Target met	Controls documents	Will be serif to the Management and	Council for approval	in 2015/16 financial year	ICT Steering	Committee will be	developed in 2015/16				Replacement of	damaged equipment	required		Job cards were	drafted and will be	sent to Management	for approval			
	Target met	The Controls	approved first for the	implementation of the	existing policies to take	Lack of commitment	from some of the	Directorates				Due to financial	constraints			Challenges experienced	were absence of the	monitoring system (help	desk) and getting mode	of transport to attend	complaints timeously	
	Certificate of license	No evidence as	the target was not met			No evidence as	the target was not	met				Screen shots				No evidence						
	Achieved	Not achieved				Not achieved						Partly achieved		(2 units are	online)	Most of the	complaints were	attended to but	there is no system	of recording	attendance and	turnaround time
	ļ	All laptops	and computers to	have access	controls	Develop ICT	Steering	committee				Keep the 7	nnits online	and monitor	the system	100%						
installed and operational	application software installed and operational	General Control	Information Technology	designed and	effected	ICT Steering	committee to be	established (Terms of	reference and	aliiha schadiila	finalised)	Number of	units functional	and on-line		% of user	complaints	attended to within	24 hours of receipt			
municipal facilities																						
																			_			

Appointment of Communications Officer Post in 2015/16 financial year	Appointment of Communications Officer Post in 2015/16 financial year	Appointment of Communications Officer Post in 2015/16 financial year	Target met
Due to Communications Officer post having been vacant	Due to Communications Officer post having been vacant	Due to Communications Officer post having been vacant	Target met
No evidence as the target was not met	No evidence as the target was not met	submitted information to the website	Memorandums on issues of employees circulated
Not achieved	Not achieved	40%	100% achieved
Produce and publish newsletter (12)	Arrange interactions with the print and electronic media (24)	100%	As and when required 100%
Number of newsletters produced and published	Number of interactions arranged with the print and electronic media	% of information provided to the consultants for updating of the website	Internal communication (memorandum s circulated) on matters arising of importance relating to employees
To improve external and internal communicati on	2		
		*========	

			·		
Target met	Target met	Target met	Target met	Target met	Target met
Target met	Target met	Target met	Target met	Target met	Target met
_	Approved SDBIP T	Council resolution T	Council resolution T	Attendance T Registers	Council resolution
100% Achieved	Achieved	Achieved	Achieved	Achieved	Achieved
100%	Fully compliant SDBIP	Compliant Annual Internal Audit Plan	Compliant Three-year rolling coverage	4	Review of audit charters completed
Annual review of approved 5-year IDP conducted in terms of MSA and MFMA (Annual Revised IDP must be adopted by Council by the end of May each yea	All compliant annual SDBIP approved within 14 days after the approval of the budget	Annual internal audit plan approved by audit committee before end of June each year	Three-year rolling coverage plan developed and approved	Number of audit committees held per annum	Review of audit charters completed annually (reviewed
To ensure that effective and efficient systems and processes of good governanc e are implement ed and	maintained				
Office of The Municipal Manager					
Good Governance and Public Participation					
Ensure more effective, accountable and clean local government that works together with national and provincial government					

·	Target met	Now that the risk register has been approved it will be reviewed and updated as and when required in 2015/16 financial year	Now that the committee has been inducted quarterly meetings will be held in 2015/16 financial year	The induction will be taking place in 2015/16 financial year
	Target met	In 2014/15 the risk register was still at a draft stage until towards the financial year end	Induction of the Risk Management Committee by the Provincial Treasury was done late, at the last month of the financial	Awaiting the induction and awareness to the Risk Management Committee by Provincial Treasury
	Council resolution	Reviewed and updated risk register	Attendance registers	Draft fraud prevention and anti-corruption plan
	Achieved	Partially achieved (Review was done once)	Partially achieved (3 meetings held)	Partially achieved (Draft fraud prevention and anti-corruption plan is place)
annually (reviewed charters must be approved by the Audit Committee)	Review of audit charters completed annually (reviewed charters must be approved by the Audit Committee)	Risk register reviewed and updated bi-annually	4 in a year (One per Quarter)	fraud prevention and anti- corruption strategy to be approved
charters must be approved by the Audit Committee)	% review of risk management strategy & policy (approved by risk management committee)	Risk register reviewed and updated bi- annually	Risk management committee (RMC) meetings held	fraud prevention and anti-corruption strategy to be approved and implemented

	Target met	Target met	The municipality is intending to embark on electronic Performance Management System 2015/16 financial year	Target met
	Target met	Target met	Financial difficulties	Target met
	Performance Audit Committee meetings attendance registers	Signed Performance Agreements	No Evidence as the target was not met	Submitted reports to Performance Audit Committee
	100% Achieved	Achieved	Not achieved	Achieved
and implemented	100%	Compliant performance agreements for MM and managers directly accountable compiled and signed on time and acted upon	utilization of PMS software	Quarterly
	Functional municipal performance audit committee established (part of terms of reference of audit	Compliant performance agreements for MM and managers directly accountable compiled and signed on time	Installation and adequate utilization of PMS software	Quarterly institutional performance reviews conducted and reports submitted to Performance Committee within 30 days
	To ensure that a functional and effective Organisatio nal Performanc e	nt System (PMS) is adopted and implemente d		
	PMS			8

	Target met						Target met								Corrective Measure	taken/to be taken		The state of the s	CWP is planned for	2015/16 financial year	which will create more	employment	opportunities		
	Target met						Target met								Reasons for Poor/Non	Performance			Due to financial	constraints					
	Council resolution						Council resolution							d LED	Source of	Evidence		The second second	Employment	contracts					
	Achieved						Achieved							Community Services and LED	Actual	Achievement		The second second	Partially Achieved	(26 were	employed)				
	MSA and MFMA	compliant	Annual	Report tabled in Collect by	31 January	each year	Oversight report	submitted to	within two	months after	tabling of	Annual	Report	Commu	Annual	Target	2014/2015		20						
after the end of each quarter	MSA and MFMA	compliant	nual Report	tabled in Council by 31	January each	ar	Oversight report submitted to	Council within	after tabling of	Annual Report					Key	Performan	8	Indicators	90	employment			through	_	initiatives
af	ŽΣ	8.	¥ .		5 <u>"</u>	y ex	<u>о</u> в	<u>ŏ</u> ≩		Ā					Objective	60		-	To make a	meaningful	and visible	contribution	و و	employment	creation
			<u> </u>					<u> </u>							Progra	mmes		Contract of the Contract of th	qop	creation					
															Key	Perform	ance	Area	Local	Economi	ن ن	Develop	ment		
															Strategic Priority (SP)			The same of the sa	Build our local economy to	create more employment, decent	work and sustainable livelihoods				

A follow up will be made with the service provider in 2015/16 financial year	Communication with the DEA will be done frequently in 2015/16 financial year	Sports Officer post will be filled in 2015/16	Maintenance plan will be developed in 2015/16	Target met
Illegal dumping and landfill sites management has been put on hold by the DEA (waiting approval from DEA)	A new service provider (Tholoana Consulting) was appointed replacing the previous one	Due to vacant post of Sports Officer	Maintenance was done as per program	Target met
Attendance registers and reports	Attendance register and presentation	No Evidence as the target was not met	No evidence as the target was not met	Attendance register and progress report
Partially Achieved (FS Greening and management of parks project steering committee were held)	Partially achieved	Not achieved	Not achieved	Achieved
Steering Committee Meetings	Steering Committee Meetings	Develop and implement maintenance Plan	Develop and implement general maintenance plan for equipment	Steering committee meetings(4)
Monitoring and Evaluation of EPIP project implemented by the National Government	Monitoring and Evaluation of youth in Waste implemented by the National government	Maintenan ce plan developed and implement ed	Develop a general maintenanc e plan for equipment	Existing community parks upgraded and implemente d by
Growth in the local Economy		To promote access and utilisation of public and community amenities. (Sports Facilities)		
		Commu nity facilities		

	Target met	Completion of the Work	Target met	Establishment of a new cemetery will be done in 2015/16 financial year	Compact trucks were hired	Target met
	Target met	Due to the work being slow and Cash flow problems.	Target met	Due to financial constraints	Due to ageing equipment Service has been provided to all residents (18 509)but due to ageing of equipment's we were unable to service all residents completely	Target met
	Progress Report	Attendance registers	Progress Report on Cemeteries program and pictures	No evidence as the target was not met	Waste removal program	Report Waste removal program
	Achieved	Partially Achieved	Achieved	Not achieved	Partially achieved	Achieved
	Maintain the existing parks	Steering committee meetings	Continue with the maintenance in all cemeteries and inclusion of building plans for ablution blocks	Establish a new cemetery	Service all the households	Service rendered to businesses twice a week
National Department	Existing community parks maintained	Existing stadiums upgraded	Existing cemeteries maintained	New cemeteries established	Number of houses, having access to basic refuse removal services (removal at least once a week)	Business premises receiving refuse
					To provide affordable, effective, efficient and accessible waste managemen t services to all communities	
					Waste manage ment	

	removal services					
	Approved Integrated Waste Managemen t Plan (IWMP) implemented	Develop 1,with assistance from FDDM	Achieved	Council resolution	Target met	Target met
	Waste managemen t education and awareness programmes implemented	Have 1, awareness in each ward	Not achieved	No evidence as farget was not met	Shortage of staff	Two officials will be employed in 2015/16 financial year
	Effective managemen t of landfill sites (existing & new) according to applicable legislation	Manage all landfill sites and comply with all legislation	Achieved	4 Licenses for the landfill sites	Target met	Target met
To develop and promote a clean and environment ally-friendly town & communities	Dustbins distributed to household s	Provision of 2000 refuse bins to households and comply will Waste Act	Not achieved	No evidence as the target was not met	Due to lack of funds	Procurement of dustbins has been included in 2015/16 procurement plan
	lllegal dumps removed	Reduce number of illegal dumps	Achieved	Report on dumping sites reduced and pictures	Target met	Target met
	By-Law on illegal dumping	Develop By- laws on Illegal dumping	Draft Waste Management By- Law is available	Draft Waste Management By- law	Awaiting CoGta to conduct an a workshop on by-laws which took	An Item will submitted to Council for

approval in 2015/16 financial year	Target met	Target met	Appointment of staff will take place in 2015/16 financial year	Appointment of staff will take place in 2015/16 financial year	Target met	Monitoring of registered cooperatives for all units will be
place late in the financial year	Target met	Target met	Due to the vacant post of arts and culture official	Due to the vacant post of arts and culture official	Target met	Based on our anticipation, we assumed that many people will be interested in forming cooperatives
	OR Tambo Games report and pictures	Sport and Recreation Report	No evidence as the target was not met	No evidence as the target was not met	Council resolution	Registration certificates and secure of names
and waiting for council approval	achieved	achieved	Not achieved	Not achieved	Achieved	9 were registered
	Organise sport development programs	Revival of Sports and Recreation Councils	Establish arts and culture forum	Organise arts and culture programmes	<del>-</del>	40
enforced (fines and penalties)	Sports development programmes organised/of fered	Sports and Recreation Councils	Arts and culture forums establishe d	Arts and culture programmes organised	Ensure that Mafube Local Municipality has a 5 Year LED Strategic Plan.	Cooperative s identified and registered
	To increase access to community developmen t services		To improve access and maximise utilization of arts and culture resources		Growth in the local Economy	
			Arts and culture		Local Econom ic Develop ment	
					Local Economi c Develop ment	
				-		

conducted in 2015/16 financial year	Negotiations on funding methods between the service provider and LED Unit are taking place.	Target met						A building plan was	submitted to Destea for financial	assistance as per their promise	Target met	,			,	There will be a revival	workshops conducted	Engagements with the	State funded
as per the workshops and needs analysis done in Mafube, but many of them opted to register as individuals	There was a delay in development of LED strategy	Target Met	1					Not achieved due to	lack of funds		Target met					Most of the agricultural	already registered but	not functional	
	No evidence as the target was not met	Workshops	attendance	registers and	meetings	aftendance	registers	No evidence as	the target was not met		Agricultural	development plan	Resolution (part of	LED strategy)		Registration	secure of names		
	Not achieved	Achieved						Not achieved			Achieved					3 agricultural	wore registered	Note to design to the control of the	
	10	Identify and	give	necessary	support to all	SMME's		Provide a	conducive	for trade	-					Identify and	ī	cooperatives	
	Sign a Memorand um of Understan ding with Service provider to assist us in financing big	Register	cooperatives	around	Mafube and	assisting in	fundraising	Build stalls	tor SMMES		Agricultural	development plan.	developed,	approved and	implemented	Agricultural individuals /	cooperatives	supported	(engage with

organizations will be done in 2015/16 financial <b>year</b>	Target met	Target met	Will be conducted in 2015/16 financial year	Target met	Target met	The learnership programs will be undertaken under the Skills Development Unit
	Target met	Target met	Due to financial constraints	Target met	Target met	Due to financial constraints
	Council resolution (part of LED strategy)	Outdoor advertising by-law and Council resolution	No evidence as the target was not met	Attendance register for LED Summit held	Employment contracts	Time tables
	Achieved	Achieved	Not achieved	Achieved	Achieved	Partially achieved two officials attending a learnership programs within the department
Register all cooperatives in Mafube L.M	Develop a marketing and tourism strategy	Assist business to register	Hold one integrated Local jobs summit	Hold one LED summit (Review LED Forum)	Create more Jobs 100 per annum	100
AFGRISA, Dept of Agric	Marketing and tourism strategy and plan compiled and approved	Approved marketing / outdoor promotions	Local jobs summit organised and convened	LED summit held	Employment opportunities created as part of LED	Employment opportunity created through leaner ships

Target met	Tourism indaba will be conducted in 2015/16 financial year		Corrective Measure taken/to be taken	Dedication of manpower by our municipality to disaster management issues in 2015/16 financial year	The plan will be facilitated through an assistance from District Disaster Unit that is expected to establish a dedicated forum in 2015/16 financial year
Target met	There were no guidelines as the tourism strategy was approved late in the financial year		Reasons for Poor/Non Performance	Dependence of the District Municipality	Hindered by establishment of District Disaster Advisory Forum that is supposed to also give birth to the Local Disaster Advisory Forum
Report	No evidence as the target was not met	ic Safety	Source of Evidence	No evidence as the target was not met	No evidence as the target was not met
Achieved Talent search was conducted in March 2015 in Villiers, Retshedisitswe Hall	Not achieved	Service Delivery and Public Safety	Achisvement Achisvement	Not achieved	Not achieved
Develop local artists, culture, flea market	Development of tourism plan	Service De	Annual Target 2014/2015	Conduct 8 awareness programs	Develop a disaster Management Plan (satellite offices/demar cation/progra mme to units/traffic
Mafube Music Festival	Mafube Tourism Indaba and Tourism Month		Key Performan ce Indicators	Number of disaster awareness programmes conducted in partnership with District and local Industries	Disaster managemen t plan developed and implemented
			Objective s	To increase awareness and participation of communities in disaster managemen t.	
			Progra mmes	Disaster manage ment	
			Key Perform ance Area		
			Strategic Priority (SP)		

		_
		99
		143
ı		
		OH
		M
		3
		V
		2
		75
		14
		201
		<b>S</b>
		BE
		M
	ĺ	

	Target met	Completion and/or finalization of the Community Safety Forum in all towns by end of October 2015	Training on speed machines will be provided for the traffic officers	Target met
	Target met	The local Crime Prevention Summit resolved that the plan be established through the Community Safety Forum which is currently under establishment	Lack of capacity on speed machines among traffic officers	Target met
	Attendance registers of CPF meetings	No evidence as the target was not met	No evidence as the target was not met	School Road safety program and pictures
	Achieved	Not achieved	Not achieved	Achieved
officers plans/ training Speed cameras/pay ment of fines to pay points	Improve the record keeping of minutes attendance registers and implementation of resolutions on number of CPF meetings and the programs held	Develop a community safety plan	SCM Processes	Development of school road safety programmes for scholars
	Improve our record keeping to ascertain participation in established CPFs	Community safety plans established and functional	Traffic officers working equipment purchased (Speed cameras)	Establishme nt of the school road safety programmes
	To support and strengthen the fight against crime in all communities			
	Safe commu nities			

				implementati on					
				Enhance support for provincial and national crime prevention initiatives	Adopt working program with sector departments & local stakeholders on monthly government themes	Achieved	Attendance registers and pictures	Target met	Target met
				Community access to fire-fighting services (per ward)	Establishment of Satellite Fire station in Villiers	Not achieved	No evidence as the target was not met	Dependence on the District Municipality	A proposal will be forwarded to the council to converge with the district council on the matter as an agenda item in the 2015/16 financial year's 2nd quarter.
				Number of fire-safety programmes conducted for the Community	Nine Awareness Fire Safety programs per ward	Partially achieved (2 awareness were conducted)	Fire safety program and pictures	Dependence on the District Municipality	A year plan will be compiled by the municipality together with the District in 2015/16 financial year
					Planning and	Planning and Infrastructure Services	Services		
Strategic Priority (SP)	Key Perform ance Area	Programmes	Objective s	Key Performan ce Indicators	Annual Target 2014/2015	Actual Achievement	Source of Evidence	Reasons for Poor //Non performance	Corrective Measure taken/to be taken
Build integrated communities with access to improved quality of municipal services	Basic Service Delivery	Spatial Plannin g and Land use manage ment as	To stimulate development through effective and efficient spatial planning, land uses and	Spatial development framework (SDF) developed and approved (including	Review SDF to accommodate new spatial developments	Not achieved	No evidence as the target was not met	Due to financial constraints from the side of Rural Development and Land Reform	SDF review is Included in the 2015/16 municipal budget and procurement plan

	LUMS Included in the 2015/16 municipal budget and procurement plan	The process will be finalized in 2015/16 financial year.	Land audit will finalized in 2015/16 financial year	Other units will be completed in 2015/16 financial year	Target met
	The service provider was appointed for the project but due to financial constraint, the service provider could not provide the documents	The advert was done late	Verifications of the land audited still needs to be done	Delays were experienced in Environmental Impact Assessment (DESTEA), Waiting for Townships Board meetings	Target met
	No evidence as the target was not met	Advert for MPT and Council resolution	Draft land audit	Report on township establishment	Approval letters
	Not achieved	Target in progress (the advert went out and members of the MPT are to be appointed)	Partially achieved (A draft land audit is in place)	Partially Achieved (planning and surveying is completed in Frankfort)	Achieved
	Develop a land use management scheme	Functional MTP	Finish with the land audits	Conduct planning and survey of erven	Finalise Re- zoning, sub- division and consolidation applications
annual reviews	Land use management (lums) scheme developed	Establishment of a Municipal Planning Tribunal (MTP)	conduct land audit	Planning and Surveying of Erven	Processing of Re-zoning, sub-division and consolidation applications
building control					
provisions of the SPLUM A (Act no.16.					

Target met	Target met	The Review of housing sector plan will be done in 2015/16 financial year	The township establishment will be finalized in 2015/16 financial year	The HDA is assisting the municipalities with acquisition of farms and the meetings are to be conducted among the HDA and the municipal officials	DWS intends to speed up the process and complete by the 15th December 2015
Target met	Target met	We were waiting for the guidelines from the HDA which were provided late in the financial year	The township establishment process is still being finalized	Verifications of the land audited still needs to be done.	The project on rapid bucket eradication stalled
List of buildings plans approved and not approved	Status report from the Department of Human Settlement	No evidence as the target was not met	No evidence as the target was not met	No evidence as the target was not met	No evidence as the target was not met
Achieved	Achieved	Not achieved	Not achieved	Not achieved	Not achieved
Approve all building plans complying with all the requirements	Cannot be quantified	Review the housing sector plan	±2000 are awaiting approval	Complete the land Audit	All formal household connected to water the
Approving building plans and inspections conducted as per industry standards	Number of beneficiaries identified as per approved housing allocations	Number of housing sector plan developed and approved	No. Of informal dwellers formalised	No. Of hectares of land released f or low cost housing	number of total HHs with
	To provide sustainable human settlements and improved quality of household life through	accelerated delivery of housing opportunities and access to basic services			To ensure access to potable water
	Human settleme nts				Water

	Reticulation and house connection for 60 outstanding households are still to be done	Consultant still needs to finalize the detail drawing for the last 60 outstanding households	Development of maintenance plan will be done in the 2015/16 financial year	Upgrade of our bulk system is required and have new ones
	DWS through Bloem water is assisting in this regard	Due to financial constraints the project was done in phases	Financial constraints	Financial constraints
	Ministers report	Namahadi Water Reticulation Report	No evidence as the target was not met	N and C reports( service provider)
	Partially achieved	Partially achieved (100 have been installed)	Not achieved	Partially achieved
total 2111 will be connected)	Source funding to formalize the households and connect all households	Connect 2111 stands	Develop maintenance plan	Maintenance of Bulk water Infrastructure
access to potable water in formalise d areas(yar d metered connecti on	Number of HHs with access to potable water in informal areas(water ranker)	No. Of HHs provided with new metered yard connecti ons	number of maintenan ce plan developed and implement ed	Number of bulk water
			To ensure sufficient bulk supply of purified water	

	10		
	Replacement of the AC pipes with UPVC pipes in all four town is required. Provide zonal flaw meters and bulk flow meters to enable quantification of water losses	Supply of working equipment	Sampling and testing should be conducted regularly from accredited laboratories
	Unavailability of adequate flow meters The ageing network causes the persistent of leakages and bursts	Lack of working equipment	Compliance monitoring could not be performed due to financial constraints
	No evidence as the target was not met	Complaints register	Daily sampling sheets
The infrastructure was being maintained as when need arise. Service provider was appointed for the work	Not achieved	Partially achieved 85% of the reported incidents were addressed where the spares were available. Continuous process as when leaks or burst occur	Partially achieved (Operational information was loaded)
	Quantify all the reduction in water distribution losses. Install bulk and zonal meters in all units	Repair all water leaks in 48 hours	Update the BDS
infrastruc ture maintain ed as per approved maintena nce plan and budget	% o f reduction in water distributio n losses	Number of reported water leaks repaired within 48 hours	% o f compliance with the blue drop water quality accreditatio n systems
	To ensure the effective and efficient management of water resources		

	0
	'01
	R
	2
1	62

Sampling and testing	should be conducted regularly from accredited laboratories	Assistance from DWS in reviewing the WSDP is required	The business plan was submitted to the Department of Water and Sanitation and they responded that there sourcing for funding Awaiting final approval for the business plan as the municipality has already signed it off	Awaiting funding from the National Government through
	Compliance monitoring could not be performed due to financial constraints	Lack of capacity	Awaiting for the response from the DWS	Multi-year projects
Daily sampling sheets		Presentation	No evidence as the target was not met	Ministers report, waste water treatment plant
Achieved During the times when the works are off testing every two hours is not done	Not achieved	Target In progress	Not achieved	Partially achieved
Test water frequently		Review the WSDP	Develop the water demand Management Plan with assistance from DWA	4270 will have access to
Number of testing of water conducted: 1.In-house monitoring	2.External Monitoring (accredited	WSD P devel oped and approved ved	Water demand manage ment plan develope d and approved (including annual reviews)	Number of HHs
				To provide decent sanitation to
				Sanitati

REPORT
M
Z
Ž
<
LO
_
0
Ŋ
4
<del>-</del>
201
N
Σ
2
<b>₩</b>
=
I
$\triangleleft$
⋝

Bloem water and the DWS	Development of maintenance plan will be done in the 2015/16 financial year	Target met	Development of maintenance plan will be done in the 2015/16 financial year.
	Financial constraints	Target met	Financial constraints
	No evidence as the target was not met	Pictures	No evidence as the target was not met
60 buckets have been eradicated through the R-BEP and work is in progress. 363 are being funded by FDDM and they are not complete (work is in progress).	Not achieved	Achieved	Not achieved
sanitation, with the assistance from FDDM (363) and Bloem water (3907)	Develop Maintenance plan	Done in conjunction with the bucket eradication above	Develop Maintenance plan
with access to decent sanitatio n	Maintenan ce plans developed and implement ed	No. Of km's of outfall sewer line replaced	Number of bulk sewer infrastruc ture maintain ed as per approved maintena nce plan and budget
all households	To ensure sufficient bulk infrastructur e		

Replacement of working equipment is required	Procurement of own equipment	Sampling should be conducted regularly from accredited laboratories	Will be complete by end of September 2015
Ageing working equipment and non-availability of spares	Financial constraints	Compliance monitoring could not be performed due to financial constraints	Financial constraints
Complaints register	No evidence as the target was not met	Daily sampling sheets	Monthly reports and site visits report
Partially achieved 85% of reported incidents were addressed where spares were available	Not achieved	Achieved	Target in progress The appointment of a consultant to design and supervise the electrification of 273 households was done.
Attend all blockages within 48 hours	Hire working equipment's / machinery	Update the GDS	273 to be electrified with assistance from DoE
Number of reported sewer blockage s attended to within 48 hours	Number of working equipme nts/mac hinery hired	% of complian ce with the green drop quality accredita tion	Number of HHs with access to basic electricity in formal areas
To ensure the effective and efficient managemen tof the sanitation system and network			To ensure access to electricity by all communities
			Electricit y

-					
	Target met	Target met	Projects were sent to department of energy awaiting response	Will be done by September 2015	
	Target met	Target met	Financial constraints	Financial constraints	
	Site visit reports and Pictures	Progress report	Not achieved	Target in progress	The service is done by a Service
Contractor appointed and work is in progress. 180 households will be electrified and a 3km MV feeder line is to be constructed	Achieved	Achieved The work for the connection is completed for 4 in Namahadi	Done By Rural Maintenance	Done By Rural Maintenance	Done By Rural Maintenance
	2014/15 Projects	Connect the high mast lights		Information not available (The service provider)	
	No. Of HHs provided with new metered stand connections informal areas	No. Of new street lights and high mass lights	No. Of sub- stations upgraded /erected	No. Of km's of bulk supply line constructed	n u m b
			To ensure sufficient bulk supply of electricity		
					1

provider (Rural Maintenance)	The service is done by a Service provider (Rural Maintenance)	The service is done by a Service provider (Rural Maintenance)	The service is done by a Service provider (Rural Maintenance)	The service is done by a Service
	Done By Rural Maintenance	Done By Rural Maintenance	Done By Rural Maintenance	Done by Rural Maintenance in
	Rural Maintenance is implementing the processes.	Assistance required for improving the electrical capacity for Mafube (DoE is finding ways of assisting	Assistance required for improving the electrical capacity for Mafube (DoE is finding ways of assisting	Mafube Project
er of bulk electricity infrastruc ture maintain ed as per approved maintena nce plan and budget	Number of reduction in electricity distribution losses	Reduced response time to reported outages for households	Reduced response time to reported outages by industrial consumers	Number of street
	To ensure the effective and efficient management of the electricity network			

	Will be developed in 2015/16 financial year	Will be done in 2015/16 financial year	Target met	The District is assisting with rural road asset management system
	Financial constraints	Financial constraints	Target met	Three year project
provider (Rural Maintenance)	No evidence as the target was not met	No evidence as the target was not met	Report	Progress report
conjunction with the Energy Efficiency Demon Side Management(EE DSM)	Not achieved	Not achieved	Achieved	Target in progress
	Develop maintenance plan	1.0 km will be upgraded to paved road		Develop a roads and storm water
lights and high mass lights maintain ed	Number of mainten ance plan develop ed and implem ented	Total km's of roads upgraded to surfaced roads(tar/ paved)	Total km's of gravel/ un- engineered roads(dirt roads)grad ed	Total km's of roads and
	To ensure sufficient roads and stormwater networks to all communitie s			
	Roads and storm water			

for the municipality a service provider (Flagg) has been appointed.	The District is assisting with rural road asset management system for the municipality a service provider (Flagg) has been appointed.	The District is assisting with rural road asset management system for the municipality a service provider (Flagg) has been appointed.	The District is assisting with rural road asset management system for the municipality a service provider (Flagg) has been appointed.
	Three year project	Three year project	Three year project
	Progress report	Progress report	Progress report
	Target in progress	Target in progress	Target in progress
maintenance plan	Develop a master plan for roads and storm water channels		
stormwate r infrastruct ure maintaine d as per approved maintenan ce plan and budget	Total km's of new stormw after channel s erected	Total km's of existing stormwater channels upgraded	Number of roads and stormwater master plan developed and approved

The District has appointed a service provider for the software. Work is in progress		Corrective Measure			Organizational Structure will be submitted to Council	for approval in the first	quarter of 2015/16 financial year.	Post such as the	Director Technical	_	Council resolution			SDL will be paid so	the municipality can be able to obtain	grants in 2015/16	financial year			
Part of a Three year project		Reasons for Poor/Non Performance			Costing of the structure			Some critical posts	were filled.	Technical Director	Officer posts were	advertised but due to	the posts have been put on hold.	The municipality owed	Skills Development	6.01				
Progress report	S	Source of Evidence			Agenda and attendance registers of the	management	meetings and Council resolution	Appointment	letters					Training report						
Target in progress	Corporate Services	Achievement		The state of the s	Target in progress			Partially achieved	•	(HR Manager,	Environmental	Services Manager and Water Quality	Manager posts were filled)	Partially achieved	/24 officials were	trained)				
Acquire software	ට	Annual	2014/2015		Reviewed Organisation al structure	as per the	regulations	Filling of	vacant posts	for section 56	manager	And other posts as	determined by Council	To train and	develop 300	officials and	250	unemployed	learners	
Number of pavement managemen t system developed and approved (including annual reviews)		Key	Ce	Halcators	Organisati onal structure	compiled	and reviewed	Number of	critical	posts to	pe filled			Compilatio	n and submissio	n of	WSP/DOI	annually	LGSETA	and training
		Objective																		
		Progra																		
		Key	ance	Alea																
		Strategic Priority (SP)																		

Partially Achieved
(Submission was done and the establishment of EE committee was not done)
Partially achieved
Achieved
Partially achieved (provision of PPE was done and nonpayment of compensation fund was experienced)

Target met	Target met	Target met	Policies will be reviewed in 2015/16 financial year
Target met	Target met	Target met	The review dates of the policies is March 2016
Council resolution on Hiv/Aids policy	Attendance registers	Labour relations Report	Council resolution
Achieved	Achieved	Achieved	Partially achieved
Develop and implement the Comprehensi ve HIV/AIDS Programme	Minimum of 4 meetings	Handle all disputes and grievances within the required period as per the legislation	Review the 17 policies.
	Effectiven ess of Local Labour Forum and Sub-committee s	Number of disputes and grievance s (stage 1 to 3) handled in terms of the collective agreemen t (turn around time is within 90 days)	Number of human resources related policies compiled and reviewed annually

Target met	Target met	Target met	Target met
Target met	Target met	Target met	Target met
Leave register	Approved Annual Council Program (Council schedule of meetings)	Council Agenda and attendance Register	Council Agenda Delivery register
Achieved	Achieved	Achieved	Achieved
100% capturing of all leaves	Implementation and compilation of Council agenda	Distribution of 4	Timely delivery of agendas for council
Timely Capturing and Monitoring of leave	Annual council programme compiled and approved by end of June each year	Number of agendas for council, and portfolio committees delivered on time (EXCO ,Ordinary Council, Special, LLF, Portfolio)	Compilation n and delivery of agendas for council, and portfolio committees on time (EXCO)
	To create a working environment that enables good staff morale, high performance and Effective functioning of council		
	Admin and Legal Service s		

	Target met	Target met	Target met
	Target met	Target met	Target met
	Correspondences sent to Directorates on implementation of Council Resolutions	Property and grounds report	Litigation register
	Achieved	Achieved Renovations were done in Frankfort Municipal Offices (Head Office) and in Tweeling Municipal Office	Achieved Litigation issues were addressed in two fold, one being the usage of municipal
	Tracking progress on Council resolution	50% of municipal property maintained	100%
, Ordinary Council, Specia,! LLF, Portfolio) (Council - 7 days and Committees - 48 hours)	Number of quarterly reports to Council on the tracking of council resolutions (submitted at the end of each quarter - Sept, Dec, Mar & Apr)	% of maintenance of municipal property and grounds	% of litigation issues and queries attended to and resolved.

						attorney and the one were addressed internally through legal section			
				% of Handling of correspond ence and filing.	100%	Achieved	Register of Incoming and Outgoing Mail	Target met	Target met
				Implement ation of bylaws.	Development of identified bylaws	Target in progress	Workshop Attendance register	Workshop on by-laws was conducted by CoGta towards the end of the financial year (29 June 2015)	CoGta is assisting in reviewing the Standing rules used by the municipality.
					Fina	Financial Services	S		
Strategic Priority (SP)	Key	Progra	Objective s	Key Performan	Annual	Achievement	Source of Evidence	Reasons for Poor/Non Performance	Corrective Measure taken/to be taken
	ance			8.	2014/2015				
	Area			Indicators					
Ensure more effective financial management and viability	Sound financial manage ment	Billing, Custom er Care, Credit	To ensure the effective managem	Undertake water meter audit.	100%	Not achieved	No evidence as the target was not met	Financial constraints	we attend unreadable meters as per billing system( variance report
	and viability	Control and Cash manage ment	ent of municipal revenue and cash flow according	Issue accounts before the 7th of every month	12 months	Partially achieved	Copies of accounts sent	Sectional departments month end was done late	Sectional departments month end will be done on time 2015/16 financial year
			to national norms and standards.	Reduce the number of customer queries.	%09	Achieved Customer queries have decreased.	Customer complaints register	Target met	Target met
				Quarterly Updated	4 Quarterly Updates	Achieved	Indigent register	Target met	Target met

	met	met	met	met	met	met	met
	Target met	Target met	Target met	Target met	Target met	Target met	Target met
	Target met	Target met	Target met	Target met	Target met	Target met	Target met
	List for incentives scheme arrangements and notices	Copies of daily receipts and copies of bank book	Bank reconciliations	Supplier data base	Procurement plan	Contract register	Proof of submission to Treasury (CRA reports)
	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved
	30 September 2014	100%	100%	Complete database of accredited service providers	30-06-2015	100%	Monthly
Indigent Register.	Implement the Incentive scheme to recoup 50% of Outstandin g Debt.	Daily Banking of monies collected.	Link all electronic payment to relevant accounts	Implement ation of an effective Database	Developm ent of a Procureme nt Plan	Contract manageme nt & monitoring	Reporting of Contract above R100 000 to Treasury
				To ensure that free, fair, equitable, transparen	t, competitiv e and cost effective	supply chain managem ent is	achieved
				Supply Chain Manage ment			

Memorandums are sent to the directorates to submit on time	Revenue enhancement strategy was developed and being implemented	Revenue enhancement strategy was developed and being implemented	Revenue enhancement strategy was developed and being implemented	Revenue enhancement strategy was developed and being implemented	Target met	Target met	Timely processing of month end procedures on the system is currently being done
Submission of salary changes were received late from officials	Due to financial constraints	Due to financial constraints	Due to financial constraints	Due to financial constraints	Target met	Target met	Financial system challenges
No evidence as the target was not met	No evidence as the target was not met	Checklist		No evidence as the target was not met	Council resolution	Council resolution	Acknowledgement s
Not achieved	Not achieved	Partially achieved	Not achieved	Not achieved	Achieved	Achieved	Partially achieved
10th of each month	7th of each month	25th of each month		Monthly	Approved by 30 May 2014	Approved policies by 30th of May 2015	10th of every Month
Timely receipt of salary changes	Timely payment of third parties	Timely payment of salaries	Reduction of fruitless & wasteful expenditur e	Payment of creditors within 30days	100% Compliant Annual Budget	Developm ent, reviewal & approval of Budget related policies	Submissio n of Section 71 Reports within 10 working days after end of
To implement an effective					To ensure that the municipal budget	and financial reporting processes are complaint	applicable Legislation
Expendi ture Manage ment					Budgeti ng and Reporti ng		
				*10			

<b>REPORT</b>
ANNUAL
-/2015
2014
BE L.M
MAFU

	Target met	Target met	Target met	Target met
	Target met	Target met	Target met	Target met
	Proof of submission (acknowledgemen t)	Council resolution	Proof of submission (acknowledgemen t)	Reconciliations done
	Achieved	Achieved	Achieved	Achieved
	After the end of each. Quarter	By 25th of January 2015	By the 1st of July 2014	12 Monthly Recons
each month.	Submissio n of quarterly National Treasury returns	Submission of Midyear year Budget assessme nt and Budget Adjustment report	Submission of Banking details to Provincial and National Treasury	Monthly reconciliati on of Cash & Bank, Fixed Assets, Loans, Investment s, Conditional Grants, VAT, Payroll, Control
				To ensure that the municipalit y compiles & timeously submit credible GRAP complaint Annual Financial Statement s
				Financi al Account ing and Assets Manage ment

	f Delay in the closing of the month	ire Expiry of the Case- ware due to financial constraints	Target met	of Due to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate resources	Target met	Not met	bue to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate
	Delay in the closing of the month	Expiry of the Case-ware due to financial constraints	Target met	Due to high volume of work required in preparation of AFS, thunit's capacity was unable to allocate resources	Target met	Not met	Due to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate
	Vat schedules	Financial Accountant	Trial balance	Vote of the suspense account	ᆼ	eVenus	Minutes of the Audit Committee
	Not Achieved	Not achieved (AFS were compiled once)	Achieved	Not Achieved	Achieved	Target in progress	Not Achieved
	By the 25th of each month	2 Sets of AFS	12 monthly TB's		All transaction properly Classified	7 days after year end	2nd week of August 2014
Consumer Deposits.	Submission of accurate & valid VAT Returns	Compilatio n of six monthly AFS	Balancing of the Trial Balance (TB)	Suspense Accounts are Investigate d & cleared timeously.	Ensure proper classificati on of transaction s in the General Ledger (GL)	Perform year end procedures	Submit Draft AFS for review to the Audit

Target met						Not Achieved					Audit Action Plan						
Target met						Not Achieved					Not Achieved						
Proof of	submission to AG					Part of the queries	will be addressed	by and through	the Journals to	comparatives							
31th of August   It was achieved in   Proof of	the first quarter					We are currently	still attending to	queries raised by	the Auditor	General	The audit action	plan has been	compiled and	submitted to the	management	team for	implementation
31th of August	2014																
Submit	AFS to	Auditor	General &	National	Treasury	Manageme	nt	Responses	to Audit	Queries	Developm	ent of the	Audit	Action	Plan		

# CHAPTER FOUR



# RGANIZATIONAL DEVELOPMENT PERFORMANCE

## 4.1 Introduction to the municipal workforce

#### Workforce establishment

Mafube Local Municipality is small Executive Committee type of a municipality. The workforce in the administration headed by a Municipal Manager is made up of six section 57 managers (including the Municipal Manager) middle managers, low level officers and the general workers located in various divisions and Units of the municipality. Below is a table that represents the total workforce of the municipality as at the end of the 2014-2015 financial year.

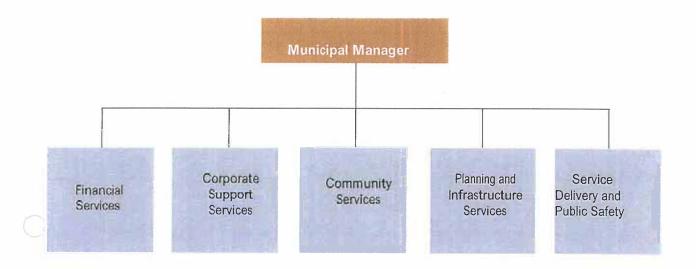
Directorate	Filled positions	Vacant posts	Total
Mayoral Office	10	1	11
Speakers' Office	9	1	10
Municipal Managers' Office	9	3	12
Corporate Services	24	5	29
Financial Services	28	12	40
Community Services & LED	66	38	104
Planning & Infrastructure Services	87	29	116
Public Safety & Service Delivery	19	5	24
Villiers Service Delivery Unit	101	52	153
Tweeling Service Delivery Unit	49	37	86
Cornelia Service Delivery Unit	46	29	75
Total Number	448	212	660

### 4.2 Managing the Workforce

The municipality embarked on a process of reviewing the organisational structure in this financial year and the structure is currently still in its final stage of the review and will be implemented in the next financial year. Below is a diagram representing the organisational structure (top level) of the municipality which was operational during the 2014-2015 financial year. The structure represents the top level structure of the municipality only showing top management while the total structure (not showing) would depict location and placement of the workforce above.

# **Organisational Structure**

The top structure of the municipality for the period under review was as follows:



#### 4.2.1 Functions and Responsibilities

The municipality is administratively organised into 6 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Budget and Treasury Office
- Planning and Infrastructure Services
- Community Services
- Corporate Services
- Service Delivery and Public Safety

#### Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

#### Objective

To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.

#### **Key Focus Areas**

- Integrated Development Planning (IDP)
- Performance Management
- Local Economic Development
- Implementation Support
- Information Management and Technology

#### **Budget and Treasury Office**

This programme is responsible for the general management of finances of the municipality.

#### Objective

To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.

#### **Key Focus Areas**

- Budgeting
- Credit Control, Billing and Collections
- Financial Accounting
- Budgeting and Financing
- Assets management
- Insurance and public management
- Banking and Investments
- Management Accounting
- Supply Chain Management
- Meter reading

#### Planning and Infrastructure Services

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

#### Objective

To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks and ensuring provision of housing.

#### **Key Focus Areas**

- Water and sanitation
- Town planning
- Electricity
- Road and Storm Water
- Mechanical Services

Community Services	
This programme attends to social issues involved i	n the development of Mafube community
Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	<ul> <li>Municipal health – and primary Health Care services</li> <li>Library Services</li> <li>Social Development</li> </ul>
	<ul> <li>Environmental Management</li> <li>Waste Management</li> <li>Public Safety</li> <li>Sport and Recreation</li> </ul>

Emergency Services
 Arts and Culture
 Cemeteries
 Refuse Removal

# Service Delivery and Public Safety

This programme is meant to deal with issues relating to provision of services in all units as well as traffic and security management.

Objective	Key Focus Areas
To ensure provision of basic services to the rural areas as well as ensuring that traffic and security are properly managed	<ul> <li>Unit functioning</li> <li>Traffic Management</li> <li>Security Management</li> <li>Rural Development</li> </ul>

# **Corporate Services**

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	<ul> <li>Human resource management/development</li> <li>Corporate Management Support</li> <li>Legal Services</li> <li>Corporate branding</li> <li>Committee Secretariat</li> </ul>

### 4.3 Capacitating the Municipal Workforce.

# Skills Development Report

The following programs were implemented upon Agreement that the LGSETA as a program funder between Kgolo Institute and Central University of Technology in assisting the Free State Municipalities in capacitating its employees in meeting the Minimum Competency Requirement as required by the National Treasury Regulations and a compliance matter.

MFMP - 12 Months Learner-ship Program

Surname & Name	Institution	Course Name
Maduna David Mhlupheki	Central University of Technology	MFMP
Motaung Nomasonto Evelyn	Central University of Technology	MFMP
Ngozo Isaac	Central University of Technology	MFMP
Rapulungoane Thabiso Andries	Central University of Technology	MFMP

PFMA – 12 Months Learner-ship Program

Surname & Name	Institution	Course Name
Gaba Vernon Gavin	Central University of Technology	PFMA
Pule Nonyana	Central University of Technology	PFMA
December Ntombela	Central University of Technology	PFMA
Dini Nomayeza	Central University of Technology	PFMA
Mlambo Phindile Joyce	Central University of Technology	PFMA
Tshabalala Lindiwe Lydia	Central University of Technology	PFMA
Sibeko Lizbeth Tebele	Central University of Technology	PFMA
	Central University of Technology	
Radebe Sipho Basil	Central University of Technology	PFMA
Dlomo Nthabiseng	Central University of Technology	PFMA
Kubeka Nthabiseng	Central University of Technology	PFMA
Earnest Nxayi	Central University of Technology	PFMA

# IDP Skills Program – 6 Months

Surname & Name	Institution	Course Name
Mhlambi Ndhlapu Lukas	Central University of Technology	IDP
Mofokeng Teboho Thys	Central University of Technology	IDP

# LED Skills Program - 6 months Program

Surname & Name	Institution	Course Name
Hlalele Nomnambithi	Central University of Technology	LED
Morena Tsotetsi	Central University of Technology	LED
Motloung Phindiwe	Central University of Technology	LED

# Training Programmes Implemented - Bursaries

No.	NAME OF LEARNER	SURNAM E OF LEARNE R	DEPARTME NT	TYPE OF LEARNERSHIP PROGRAMME ENTERED	NQF LEVEL	INSTITUTION
1.	Thabo	Sekhoto	Office of the Mayor	Communication Science	5	UNISA
2.	Cynthia	Motaung	Office of the Mayor	Bachelor of Social Worker	6	UNISA
3.	Abram	Mgcina	Finance	B Com Financial Accounting	6	UNISA
4.	Hlomlani	Dlamini	Office of the Municipal Manager	Postgraduate Diploma in Internal Audit	7	UNISA
5.	Ramothibe di	Mokoena	Office of the Mayor	Emerging Management in Municipal Governance	6	NORTH WEST UNIVERSITY
6.	December	Ntombela	Office of the Municipal Manager	Professional development in Auditing	7	INSTITUTE FOR INTERNAL AUDITORS
7	Mamohau	Mokoena	Finance	Assets Management	5	UNIVERSITY OF PRETORIA
8	Mokukhany a	Radebe	Planning & Infrastructure	Masters in Infrastructure Development	8	UNIVERSITY OF PRETORIA

# 4.4 Managing The Municipal Workforce Expenditure

Remuneration of Municipal Manager: Mr P.I Radebe			
	2015	2014	
Annual Remuneration	589,323.00	548,345.00	
Backpay	27,562.00	4,354.00	
Contribution to SDL	10,233.00	9,265.00	
Contribution to UIF	1,785.00	1,785.00	
Medical Aid and Pension Fund	225,807.00	224,821.00	
Leave payout	Lateur Partelling L		
Travel Allowance	225,706.00	234,086.00	
Total	1,080,416.00	1,022,656.00	

Remuneration of Chief Financial Officer: Mr A Hlubi			
	2015	2014	
Annual Remuneration	780,265.00	93,250.00	
Backpay	24,475.00		
Contribution to SDL	9,199.00	1,077.00	
Contribution to UIF	1,785.00	297.00	
Contribution to Pension Fund	-	-	
Travel Allowance	144,000.00	18,000.00	
Total	959,724.00	112,624.00	

	2015	2014	
Annual Remuneration	-	261,950.00	
Acting Allowance		346,317.00	
Backpay	-	3,566.00	
Contribution to SDL	THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUMN TW	7,067.00	
Contribution to UIF	-	1,785.00	
Pension Fund		50,871.00	
Travel Allowance	-	132,106.00	
Total		803,662.00	

Remuneration of Director Service Deli	very and Public Sa	fety: Mr M.S Malindi
	2015	2014
Annual Remuneration	-	616,704.00
Backpay		3,566.00
Contribution to SDL	-	8,553.00
Contribution to UIF		1,636.00
Medical Aid and Pension Fund	-	139,370.00
Leave payout	3/41/5/11/12/11/15	148,910.00
Acting Allowance	-	10,998.00
Travel Allowance	The English	95,882.00
Total	-	1,025,619.00

	2015	2014	
Annual Remuneration	591,215.00	596,527.00	
Backpay	22,572.00	3,566.00	
Contribution to SDL	8,260.00	7,464.00	
Contribution to UIF	1,785.00	1,785.00	
Medical Aid and Pension Fund	14,692.00	107,465.00	
UIF Contributions	1,785.00	1,785.00	
Travel Allowance	244,699.00	204,306.00	
Total	885,008.00	922,898.00	

	2015	2014
Annual Remuneration	756,390.00	721,224.00
Backpay	22,572.00	3,943.00
Contribution to SDL	8,714.00	8,245.00
Contribution to UIF	1,785.00	1,785.00
Cell phone Allowance	15,600.00	16,000.00
Acting Allowance		6,515.00
Travel Allowance	96,000.00	96,000.00
Total	901,061.00	853,712.00

Remuneration of Director Technical Services:	Mr M Maboya	
	2015	2014
Annual Remuneration	-	159,387.00
Car Allowance	-	2,762.00
Performance Bonus	-	595.00
Contribution to UIF, Medical, Pension Fund	-	33,121.00
Other	-	53,129.00
Other	<u>z</u> 22 ± 5	56,814.00
Other	-	29,440.00
Total		335,248.00

Remuneration of Acting Director Technical Services: Mr A.L Mphuthi		
	2015	2014
Annual Remuneration	235,336,00	<u>-</u>
Car Allowance	121,521.00	
Annual Bonus	19,611.00	-
Contribution to UIF, Medical, Pension Fund	78,642.00	
Contribution to SDL	8,521.00	-
Backpay	22,572.00	
Acting Allowance	435,512.00	-
Cell phone Allowance	13,500.00	-
Bargaining Council	318.00	-
Total	953,533.00	-

s. si	2015	2014
Annual Remuneration	279,737.00	-
Car Allowance	144,353.00	
Annual Bonus	23,311.00	-
Contribution to UIF, Medical, Pension Fund	59,914.00	
Contribution to SDL	8,489.00	-
Backpay	22,572.00	
Acting Allowance	415,259.00	-
Cell phone Allowance	13,500.00	
Bargaining Council	318.00	
Total	967,453.00	

# CHAPTER FIVE





# INANCIAL PERFORMANCE

This chapter presents a summary of the financial performance of the financial year ended 30 June 2015 with particular focus on the following components.

### Component A: statement of financial performance

ote(s) 2015	2014
	19 19 19 19 19 19 19 19 19 19 19 19 19 1
61,461,665	48,865,840
779,299	549,867
435,122	543,056
708,183	538,696
635,273	1,070,688
659,751	770,175
19,675,097	13,063,487
84,354,390	65,401,809
119,791	73,870
21,152,561	19,474,278
102,213,468	96,843,819
123,485,820	116,391,967
207,840,210	181,793,776
	123,485,820

Expenditure			
Employee related costs	29	(73,311,313)	(77,962,771)
Remuneration of Councillors	30	(4,946,053)	(5,235,182)
Depreciation and Amortisation	34	(134,394,661)	(137, 283, 347)
Finance costs	35	(12,101,882)	(7,849,642)
Lease rentals on operating lease		(904,322)	(649,532)
Debt impairment	31	(44,882,190)	(37,976,426)
Repairs and maintenance		(32,876,183)	(11,206,908)
Bulk purchases	39	(23,768,637)	(27,714,956)
Transfers and subsidies	38	(3,547,907)	(6,746,501)
General Expenses	28	(30,568,142)	(25,293,339)
Total Expenditure		(361,301,290)	(337,918,604)
Operating deficit		(153,461,080)	(156,124,828)
Fair value adjustments	33	1,401,000	(2,716,861)
Gain on disposal of assets		(9,208)	-
· ·		1,391,792	(2,716,861)
Deficit for the year		(152,069,288)	(158,841,689)

# Component B: Spending against capital budget

Project Description	MIG Value	Expenditure
Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	R11 222 160,00	R5 189 766,07
Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	R25 082 805,00	R23 415 927,69
Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	R35 843 709,00	R18 056 911,90
Mafahlaneng/Tweeling:Upgrade of Sports Ground (MIS: 212177)	R2 457 005,00	R721 829,40
Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	R4 307 886,00	R1 176 557,49
Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	R4 624 515,00	-
Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	R11 219 844,00	
Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	R15 000 000,00	-
Namahadi/Zomba: Upgrading of Sports Ground		

Component C: Cash flow Management and Investment

	Notes	2015	2014
Cash flows from operating activities			A Algo
Receipts			
Property rates and services charges		21,152,561	21,155,325
Sale of Goods and Services		6,549,242	6,967,995
Grants		90,002,468	104,741,591
Interest Income		19,675,097	12,998,767
Other receipts		14,557,142	3,472,482
		151,936,510	149,336,160
Payments			
Employee costs		(41,626,139)	(44,109,579)
Suppliers		(177,240,726)	(32,366,595)
Finance costs		(10,159.131)	(5,853682)
Other cash item		105,526,462	(31,159,594)
		(123,499,534)	(113,489,450)
Net cash flows from investing activities	40	28,436,976	35,846,710
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(23,284,331)	(28,007,968)
Purchase of other intangible assets	5		(199,210)
Proceeds from sale of financial assets		(14,130)	62,547
Proceeds from sale of other assets		(9,208)	8 -
Net cash flows from investing activities		(23,307,669)	(28,144,631)
Cash flows from financing activities			
Repayment of other financial liabilities		(507,024)	10,096
Finance lease payments		(2,638,128)	(5,579,207)
Net cash flows from financing activities		(3,145,152)	(5,569,111)
Net increase/(decrease) in cash and cash equivalents		1,984,155	2,132,968
Cash and cash equivalents at the beginning of the year		64,367	2,699,097
Cash and cash equivalents at the end of the year	13	2,048,522	4,832,065

# Component D: Other financial matters

# **Financial Viability Ratios**

### 1. Debt Coverage Ratio

	2015	2014
Total Revenue (Net of Grants)	105 626 742	84 949 957
Current Portion of Long Term Liabilities	263 581	263 581
Ratio	400.73	322.29

### Interpretation

For every R1 in current portion of long term liabilities, there is R400.73 of revenue generated by the municipality.

## 2.Outstanding Service Debtors to Revenue

	2015	2014
Accounts Receivable Service Debtors	69 028 364	39 585 964
- Trade receivables from exchange transactions	5 073 582	3 659 010
- Consumer debtors	63 954 782	35 926 954
Annual Revenue Actually Received	84 354 390	65 401 809
Ratio	0.23	0.61

### Interpretation

In every R1 of revenue generated, the municipality has R0.82 in debtors.

# CHAPTER SIX



# **UDITOR-GENERAL'S REPORT**

Report of the auditor-general to the Free State Legislature and the council on the Mafube Local Municipality

Report on the financial statements

#### Introduction

1. I was engaged to audit the financial statements of the Mafube Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Disclaimer of opinion

# Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment due to lack of an adequate asset management system. I was unable to confirm the assets by alternative means. Consequently, I was unable to determine whether any adjustments to property, plant and equipment stated at R1 044 127 738 (2014: R1 153 361 203) in note 4 to the financial statements were necessary. In addition, the municipality did not review the residual values and useful lives of infrastructure assets at each reporting date in accordance with SA Standards of GRAP, GRAP 17, Property, plant and equipment (GRAP 17). The municipality also did not capitalise all items of property, plant and equipment in accordance with GRAP 17 as work in progress was incorrectly recognised. I was not able to determine the correct net carrying amount of infrastructure assets and work in progress as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.

# Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for trade payables, accrued leave pay, salary control accounts, income received in advance, and advance payables included in payables from exchange transactions due to the unavailability of reconciliations or support for these balances. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments to these balances stated at R102 307 022 (2014: R62 185 017) included in the amount of R274 867 634 (2014: R181 593 825) as disclosed in note 18 to the financial statements were necessary. In addition, differences were identified between the amounts disclosed in the financial statements and external confirmations as well as differences on debtors with credit balances. Consequently, payables from exchange transactions and expenditure were understated by R31 133 561 (2014:5 959 048), respectively. There was also a resultant impact on the deficit for the period and the accumulated surplus.

## Investment property

6. The municipality did not value investment properties disclosed in note 3 to the financial statements in accordance with SA Standards of GRAP, GRAP 16, *Investment property*. The assumptions used in the investment property register were not accurately applied in the determination of the deemed cost. I was not able to determine the full extent of the misstatement as it was impracticable to do so.

# Consumer receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for consumer debtors due to several unexplained differences or supporting documents that could not be provided. Support could also not be provided for the calculation of the provision for impairment of debtors. I was unable to confirm consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustments to consumer debtors stated at R63 954 782 (2014: R35 926 954) in note 11 to the financial statements were necessary.

# Receivables from non-exchange transactions

8. The municipality did not calculate the debt impairment for receivables from non-exchange transactions in terms of SA Standards of GRAP, GRAP 104 *Financial instruments*. The municipality did not take the payment history of debtors into account. I was unable to determine the full extent of the misstatement as it was impracticable to do so. There was also a resultant impact on the deficit for the period and the accumulated surplus. In addition, sufficient appropriate audit evidence could not be obtained for the process followed for the calculation of debt impairment for the prior year. Consequently, I was unable to determine whether any further adjustments to the provision for debt impairment stated at R19 172 701 (2014:R15 091 223) in note 10 to the financial statements were necessary.

# **Property rates**

9. I was unable to obtain sufficient appropriate audit evidence for property rates due to differences between the chargeable rates per the valuation roll, the accounting records and the financial statements that could not be supported. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates stated at R21 152 561 (2014: R19 474 278) in note 23 to the financial statements were necessary.

# Unauthorised expenditure

10. The municipality did not include particulars of all unauthorised expenditure and did not adhere to the disclosure requirements in note 47 to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in excess of the approved budget which was not disclosed as unauthorised expenditure, with the result that unauthorised expenditure was understated by R81 078 668 (2014: R120 573 266).

# Irregular expenditure

11. The municipality did not include particulars of all the irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality made payments in contravention of the Supply chain management regulations which were not included in irregular expenditure, with the result that irregular expenditure was understated by R16 715 209 (2014: R13 260 890). I was not able to determine the full extent of the misstatement as it was impracticable to do so. In addition, during 2012-13 irregular expenditure was written off without proper investigations having been performed. This resulted in a further understatement of the closing balance of irregular expenditure by R71 142 949 (2014: R71 142 949).

### Commitments

12. I was unable to obtain sufficient appropriate audit evidence for capital commitments due to an inadequate contract management system and incomplete contract register. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments to commitments stated at R40 113 980 (2014: R58 207 711) as disclosed in note 41 to the financial statements were necessary

# Fruitless and wasteful expenditure

13. The municipality did not include particulars of all the fruitless and wasteful expenditure incurred in note 48 to the financial statements, as required by section 125(2)(d)(i) of the MFMA. I was not able to determine the full extent of the misstatement as it was impracticable to do so. In addition, fruitless and wasteful expenditure was written-off during 2012-13 without proper investigations having been performed. This resulted in an understatement of the closing balance of fruitless and wasteful expenditure by R17 727 744 (2014: R17 727 744).

# Comparison of budget and actual amounts

14. The municipality did not disclose the final approved adjustment budget figures in the financial statements in accordance with SA Standards of GRAP, GRAP 24, *Presentation of budget information in financial statements* (GRAP 24). I identified various material differences between the disclosed budgeted amounts and the final adjustment budget, resulting in the figures disclosed the statement of comparison of budget and actual amounts being materially misstated.

# Public-private partnership

15. The municipality did not disclose information regarding the public private partnership between the municipality and the electricity service provider as required by International Financial Reporting Interpretations Committee (IFRIC) 12, Service concession arrangements.

# **Prior period errors**

16. The municipality did not disclose the reclassification of comparative figures and prior period errors as required by SA Standards of GRAP, GRAP 1, Presentation of financial statements and GRAP 3, Accounting policies, changes in accounting estimates and errors. Details of all the corresponding figures that were reclassified or restated since the prior year were not disclosed under prior period errors in note 44 to the financial statements.

#### Financial instruments

17. The amount disclosed as financial instruments in note 21 to the financial statements does not include payables from exchange transactions of R274 867 634. The prior year balance is stated as R156 923 846, while in note 18 payables from exchange transactions is stated as R181 593 825. Payables from exchange transactions are therefore understated by R274 867 634 (2014: R24 669 979) in note 21 to the financial statements.

# Aggregation of immaterial uncorrected misstatements

- 18. The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following items included in the statement of financial position and the statement of financial performance:
  - Service charges and consumer receivables from exchange transactions in respect of sale of water reflected as R31 294 060 and R25 524 392, respectively, was overstated by R6 385 796.
  - Revenue from service charges and expenditure related to transfers and subsidies reflected as R61 461 665 (2014: R48 865 840) and R3 547 907 (2014: R6 746 501), respectively, was overstated by R3 547 907 (2014: R6 746 501).
  - VAT payable and consumer receivables from exchange transactions reflected as R9 317 657 (2014: R13 388 504) and R63 954 782 (2014: R35 926 954), respectively, was understated by R4 910 203 (2014: R4 204 476).
  - Net cash flows from operating activities reflected as R28 436 976 was understated by R4 788 975.

- Material losses was not disclosed in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA.
- 19. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following items by alternative means:
  - Receivables from non-exchange transactions of R9 545 775 as included in the disclosed balance of R25 382 329 (2014:R18 786 910) as disclosed in note 10.
  - VAT payable of R8 601 998 as included in the disclosed balance of R9 317 657 (2014: R13 388 504) as disclosed in note 19.
  - Pension fund and medical aid deductions of R9 068 231 as included in the disclosed balance of R19 222 043 (2014: R10 453 233) as disclosed in note 50.

# Going concern

20. The municipality did not disclose the going concern risk as required by GRAP 1, Presentation of financial statements in the notes to the financial statements. A number of indicators exist that indicates that the municipality is experiencing financial difficulty. These include a high level of impairment of its consumer debtors, current liabilities that exceed current assets by R218 865 471 and the deficit amounting to R152 069 288 as disclosed in the financial statements. The potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period also indicates uncertainty. The municipality did not disclose any details of the uncertainty in the financial statements.

# Disclaimer of opinion

21. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

22. I draw attention to the matters below. My opinion is not modified in respect of these matters.

# Material impairments

23. As disclosed in notes 10 and 11 to the financial statements, a provision for impairment of consumer debtors and receivables from non-exchange transactions amounting to R211 717 607 (2014: R167 653 049) were made as a result of irrecoverable debtors.

#### Additional matter

24. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Unaudited disclosure notes

25. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

#### Report on other legal and regulatory requirements

26. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

#### Predetermined objectives

- 27. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas (KPAs) presented in the annual performance report of the municipality for the year ended 30 June 2015:
  - KPA 4: Basic service delivery on pages xx to xx
  - KPA 6: Planning, service delivery and infrastructure development on pages xx to xx
- 28. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
- 29. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
- 30. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 31. The material findings in respect of the selected key performance areas are as follows:

#### KPA 4: Basic service delivery

Usefulness of reported performance information

- 32. The FMPPI requires the following:
  - Performance targets should be specific in clearly identifying the nature and required level of performance. In total, 70% of the targets were not specific.
  - Performance targets should be measurable. I could not measure the required performance for 70% of the targets.

This was because management did not adhere to the requirements of the FMPPI and a lack of proper systems, processes and technical indicator descriptions.

Reliability of reported performance information

33. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

KPA 6: Planning, service delivery and infrastructure development

Usefulness of reported performance information

- 34. The FMPPI requires the following:
  - Performance targets should be specific in clearly identifying the nature and required level of performance. In total, 83% of the targets were not specific.
  - Performance targets should be measurable. I could not measure the required performance for 83% of the targets.

This was because management did not adhere to the requirements of the FMPPI and a lack of proper systems, processes and technical indicator descriptions

Reliability of reported performance information

35. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the fact that the auditee's records did not permit the application of alternative audit procedures.

Additional matter

36. I draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages x to x and x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected key performance areas reported in paragraphs 31 to 34 of this report.

Compliance with legislation

37. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other

related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

#### Annual financial statements

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, with the result that the financial statements received a disclaimer of audit opinion.

#### **Audit committee**

39. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by *Municipal planning and performance management regulation* 14(4)(a)(iii).

# **Human resource management**

- 40. The competencies of the senior managers were not assessed in a timely manner in order to identify and address gaps in competency levels as required by *Municipal regulations on minimum competency levels* 13.
- 41. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor measure and evaluate performance of staff in contravention of section 67(d) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

# **Expenditure management**

- 42. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- 43. Reasonable steps were not taken to prevent unauthorised, irregular or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
- 44. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors as required by section 65(2)(b) of the MFMA.

# Revenue management

- 45. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.
- 46. An effective system of internal control for revenue and debtors was not in place, as required by section 64(2)(f) of the MFMA.

# Consequence management

47. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

# Procurement and contract management

- 48. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by SCM regulation 17(a) and (c).
- 49. Quotations were accepted from prospective providers who were not registered on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
- 50. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids, as required by SCM regulation 19(a).
- 51. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).
- 52. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
- 53. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

# **Conditional grants**

- 54. The Municipal Infrastructure Grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.
- 55. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant and Municipal Systems Improvement Grant allocations, as required by section 12(5) of the DoRA.
- 56. Municipal Infrastructure Grant funds were retained or rolled over to the next financial year without seeking the approval of the National Treasury, as required by sections 22(1) of the DoRA.

# **Asset management**

- 57. An adequate management, accounting and information system which accounted for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 58. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

# Strategic and annual planning process

- 59. The local community was not afforded the opportunity to comment on the final draft of the integrated development plan (IDP) before adoption, as required by section 42 of the MSA and Municipal planning and performance management regulations 9, 13(1), 13(4)(c) and 15(3).
- 60. The municipality did not give effect to its integrated development plan and conduct its affairs in a manner which was consistent with its integrated development plan, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and Municipal planning and performance management regulation 6.

- 61. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
- 62. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
- 63. The performance of the municipality was not assessed during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
- 64. Measurable performance targets for the financial year were not set in the IDP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations 12(1) and 12(2)(e).
- 65. The annual performance report for the year under review did not include a comparison with the previous financial year as required by section 46 (1)(b) of the MSA.
- 66. The performance management system and related controls were inadequate as they did not describe and represent the processes of performance monitoring, measurement, review and reporting and how they were conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.
- 67. The annual performance agreements for the municipal manager and all senior managers were not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan as required in terms of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.

## Internal control

68. I considered internal control relevant to my audit of the financial statements, the performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion and the findings on the performance report and compliance with laws and regulations included in this report.

# Leadership

- 69. Management did not adequately respond to the AGSA's message as they did not effectively discharge their oversight responsibilities to ensure an improvement in the audit outcome.
- 70. The leadership did not always take timely and adequate action to address weaknesses in the finance and supply chain management directorate due to lack of monitoring and supervision, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure. The lack of timely action from leadership in instances relating to the discharging of untreated effluent to the oxidation ponds of the water treatment plant could expose the general public to environmental and health issues and may lead to claims against the municipality.
- 71. Leadership did not continually implement preventive measures to address weaknesses in the control environment to promote ethical values and good governance that protected and enhanced the interests of the municipality. This was identified since there were no processes in place to enable effectiveness of internal controls that ensured reliability and validity of financial information. Poor performance or deviations from the expected standards of conduct were not followed up to ensure that remedial or

- disciplinary action was taken in a timely and consistent manner. Overriding of internal controls resulted in a high number of instances of irregular and fruitless and wasteful expenditure where value for money was not always obtained, which resulted in potential cases of fraud that need to be investigated by management. Although this matter was raised in the prior year as well, these matters have still not been investigated.
- 72. Consequence management was not effective as the council did not investigate instances of unauthorised, irregular and fruitless and wasteful expenditure to determine whether any person was liable for the expenditure as the council neglected to appoint a committee to investigate the expenditure.

# Financial and performance management

- 73. Proper record keeping, during the current and previous year's audits, was not implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting, as management did not monitor to determine whether the controls were implemented effectively. As a result, significant difficulties were experienced in respect of the availability of information.
- 74. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented due to a lack of capacity.
- 75. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing due to a lack of skilled staff.
- 76. Ongoing monitoring and supervision were not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting due to the fact that the accounting officer and chief financial officer positions were filled in an acting capacity for most of the financial year. Internal control deficiencies were therefore not identified, communicated and corrected in a timely manner.
- 77. Management also did not establish effective monitoring and evaluation components or processes within its finance and strategic planning directorates to regularly review and monitor management's compliance with laws and regulations and internally designed policies and procedures due to capacity problems. As a result, significant noncompliance issues were noted that could have been prevented.

#### Governance

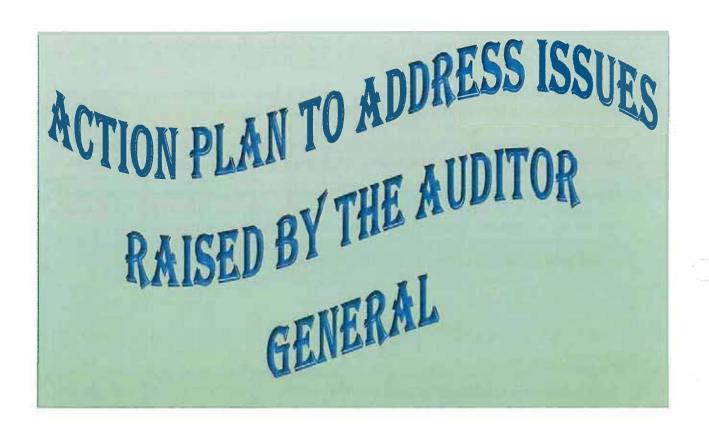
- 78. The implementation of external audit recommendations was not prioritised and also not monitored, with the result that in the prior year audit findings were not addressed.
- 79. As a result of inadequate support by management to the functioning of the internal audit unit, the audit committee could not adequately promote accountability and service delivery by evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Bloemfontein

30 November 2015



Auditing to build public confidence



COMMIEVIDENCE				
STATUS	Not resolved	Not resolved	Not resolved	Notresolved
DUE DATE	31 March 2016	31 March 2016	31 March 2016	31 March 2016
RESPONSIBLE	CF0	CFO	СFО	СFO
RESPONSIBLE DEPARTMENT	Budget	Budget	Expenditure	Expenditure
REMEDIAL ACTION	Management does ensure that the monthly budget statements are submitted timely and that relevant budget and reporting regulations are followed. The municipality will also ensure that the approved budget is made public within 10 days as prescribed. However, mangement will work on the evidence that all was done within the legislated time frames.	The matter will be investigated and addressed for the financial	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	This is systematic issue, resulting from the municipality's inability to pay orders wholly and forced to reverse a portion of that order and process it as and when it is paid. Management will reaearch new ways to ensure that the supporting documentation is submitted for audit purposes.
oM noitsainummoD	C9 C9	60	C17	C14
FINDING	Budget - Non compliance	Prior year follow up - Unspent conditional	grant - amount repaid Expenditure: Expense could not be traced to the general ledger	Expenditure: Limitation of scope for purchase returns.
Page, no.	ـــــــــــــــــــــــــــــــــــــ	2	8	4

Action based on Mistatements affecting the Auditor's Rount

# Action based on Mistatements affecting the Auditor's Report

Par	pa	pa		79	p.	P
Not resolved	Not resolved	Not resolved	Nat resolved	Notresolved	Not resolved	Not resolved
31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016
CFO	CFO	CFO	CFO	CFO	CFO	CFO
Expenditure	Expenditure	Expenditure	Expenditure	Fin Acc	Fin Acc	Fin Acc
This is systematic issue, resulting from the municipality's inability to pay orders wholly and forced to reverse a portion of that order and process it as and when it is paid. Management will reaearch new ways to ensure that the supporting documentation is submitted for audit purposes.	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	For the current financial year, the MPAC will be sitting for the UIFW and registers will be reviewed before submission to Financial Accouting Unit.	The Financial Accounting Section will be resourced with appropriate peronnel to assist in easing the work load and improving quality.	The Audit Action Plan will become the Management Meeting standing item, as it is the Audit Committee standing item.	The Financial Accounting Section will be resourced with appropriate peronnel to assist in easing the work load and improving quality.
O 0	C19	C16	83	C17	C19	C21
Expenditure: Shortcomings identified	Fruitless and wasteful expenditure: Misstatements noted	Payables: Shortcomings identified on accrual and trade payables	Prior year follow up - Fruitless and wasteful expenditure: Unexplained difference	Cashflow Statement	Depreciation charges: Accuracy and completeness of the depreciation charge	Employee cost: Difference between the GL and Payroll(VIP system)
υ	O	^	∞	<del>-</del>	4	87

Not resolved	Not resolved	Not resolved	Not resolved	Not resolved
30 June 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016
CFO	CFO	CFO	GFO	CFO
Fin Acc	Fin Acc	Expenditure	Fin Acc	Fin Acc
The Financial Accounting Section will be allocated with approriate personnel to assist in evenly distribution of the work load and timely submission of the AFS for the Inatenal Audit Review.	Management will establish and implement controls to ensure that there is a proper system of record keeping and that supporting documentation is maintained and submitted for audit purposes.	Management will investigate the matter further and ensure that the matter is addressed and dealt with adequately.	The Financial Accounting Section will be well resourced to ensure that all asset purchased are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger are performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements.	Management will establish and implement controls to ensure that there is a proper system of record keeping and that supporting documentation is maintained and submitted for audit purposes.
99	C22	C19	C15	C22
Financial Statements supporting documentation	Fixed Assets:Valuation of Assets descrepancies identified	Intangible Assets Unverifiable SCM database Software, Website and internet Licence	Intangible Assets:Deficiencies identified	Investment Property:Valuation of assets descrepancies
6	52	23	24	25

Action hased on Mistatements affecting the Auditor's Renard

# Action based on Mistatements affecting the Auditor's Report

Not resolved	Not resolved		
31 March 2016	31 March 2016		
CFO	CFO		
Fin Acc	Fin Acc		
Management will establish and implement controls to ensure that there is a proper system of record keeping and that supporting documentation is maintained and submitted for audit purposes.	Management will implement controls to ensure fund is being utilised for the intended purpose and that there is sufficient staff to manage projects and to file and retain documents for audit and review purposes.		
C19	C22		
Limitation of Scope:Non submission of journal voucher	PPE visiting of projects		
28	32		

Notresolved
31 March 2016
CFO
Fin Acc
For each PPP agreement that the entity has entered into, the following will be disclosed in a note to the annual financial statements:  (a) a description of the agreement.  (b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows.  (c) the nature and extent of:  rights to use specified assets;  obligations to provide or rights to expect provision of services;  obligations to acquire or build assets;  obligations to deliver or rights to receive specified assets at the end of the PPP agreement;  renewal and termination options; and  other rights and obligations (e.g. major overhauls).  (d) changes in the agreement occurring during the period.
8
PPP - Rural Maintenance
<u>ā.</u> ∑

Actic 'based on Mistatements affecting the Auditor's Renort

9	
ge	
Ра	

Not resolved	Not resolved		
31 March 2016	31 March 2016		
CFO	СFО		
Fin Acc	Fin Acc		
Effective asset and journal processing controls will be established to ensure the following (a) The asset register to be promptly updated to cater for disposals and acquisitions as they occur. Such asset acquisitions are to be properly classified under a class denoting the intended use of such assets  (b) Capital expenditure is appropriately recorded and capitalized against assets	Management will establish and implement controls to ensure proper record keeping and management of projects in progress. As a precondition for authorization and processing, journal vouchers will carry verifiable supporting documentation motivating the classification, accuracy and occurrence of the proposed entry.		
C20	C18		
Prior year follow up - Fixed Assets: Capital expenditure treatment, misclassification concerns and incomplete asset register (Ex.168)	Prior year follow up - Fixed Assets: Inadequate journal support for work in progress		
36	34		

Action based on Mistatements affecting the Auditor's Report

Not resolved	Not resolved	Not resolved
31 March 2016	31 March 2016	31 March 2016
CF.	CFO	GF0
Fin Acc	Fin Acc	Fin Acc
The Financial Accounting Section will be appropriately resourced to ensure that all asset purchased are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements. Time frames set for management to correct any concerns raised by the Auditor General will be adhered to thereby curbing any potential limitation of scope.	Management will ensure that monthly reconciliations are conducted between the work in progress listing, source documents and the general ledger in order to identify any possible differences, and therefore ensure the continuous accuracy and completeness of the accounting records.	(a) The work in progress values will be re-determined by taking into account the percentage of completion (progress certificates) as at 30 June 2015 and not the accumulated expenditure for the year based on submitted invoices by contractors.
41	C22	C20
Prior year follow up - Fixed assets: movable additions on asset register unreconciling with the amount in the AFS	Prior year follow up - Fixed assets: Work in progress	Prior year follow up - Fixed Assets: Work in progress audit concerns
35	36	800

Actio' hased on Mistatements affecting the Auditor's R  $^{\prime}$  art

Report
Auditor's
the
affecting
ements
ı Mistat
ed on
n bası
Action

Not resolved	Not resolved	Not resolved	Not resolved
31 March 2016	31 March 2016	31 March 2016	31 March 2016
CFO	CFO	CFO	CFO
Fin Acc	Fin Acc	Fin Acc	Fin Acc
Management will investigate the matter, make the necessary adjustments and implement controls in order to detect unauthorised expenditure in a timely manner. Management will also ensure that budget amounts are realistically set to avoid such excessive unauthorised expenditure.	Management will ensure that reconciliations are performed between the VAT 201 returns and the VAT as per the general ledger on a monthly basis.	<ul> <li>(a) Controls will be established by management to ensure that all assets together with their respective movements during the year are promptly recorded on to the asset register.</li> <li>(b) Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements. Differences in the assets registers and the amounts as per the financial statements, will be investigated and correctional entries passed to ensure that the two agrees.</li> </ul>	Rural Free State to provide relevant information for audit purposes
80	C12	C17	C17
Prior year follow up - Unauthorised expenditure not properly disclosed	Prior year follow up - VAT: Difference between general ledger and VAT returns	Property, Plant and Equipment:Depreciation Differences between Assets Register and the AFS	Property, Plant and Equipment: Electricity Infrastructure Assets
35	36	37	39

Not resolved	Notresolved	Not resolved
31 March 2016	31 March 2016	31 March 2016
CF0	CFO	CFO
Fin Acc		Fin Acc
Management will investigate the matter and implement controls to ensure that the municipality complies with the relevant accounting standards. The useful lives of each asset will be evaluated regularly and the process documented properly to ensure that the financial statements agree with the assets register and all other support documentation.	Controls will be established by management to ensure that all asset purchased are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial	Controls will be established by management to ensure that all asset together with their respective movements during the year are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements.
75	C15	C15
Property, Plant and Equipment: Estimaed Useful Lives	Property, Plant and Equipment-Movable Assets additions and depreciation disclosed deficincies identified	Proprery,Plant and Equipment:Difference between Assets Register and AFS
40 E	<u></u> <u></u> <u></u> <u></u> <u></u> <u> </u> <u> </u>	თ ზ

Action hased on Mistatements affecting the Auditon's Remort

# Action based on Mistatements affecting the Auditor's Report

Not resolved	Not resolved	Not resolved	Not resolved	Not resolved	Not resolved	Not resolved
31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016
CFO	CFO	CFO	Dir - Corp	Dir - Corp	MM	Dir - Corp
Fin Acc	Fin Acc	Fin Acc	莊	莊	IDP	Legal
Management will investigate the matter, and make necessary amendments (i.e. separately disclose receivables from amounts payable), as required by GRAP 1(39-43).	Management has taken and will continue to take reasonable steps to recover the overpayment of councillors.	Management will ensure that their revenue collection system is consistent with the Municipality System Act and that the credit control and debt collection policy is enforced and complied to by the municipality debtors.	Management will ensure adherence to applicable laws and regulations (i.e. MSA section 54A(2A) and 56(1)(c)).	Management will ensure that the municipality complies with the Municipal Regulations on minimum competency levels and that the required reporting in this regard is done.	Management will for the coming budget term work on a fully flashed budget tha talks to the service delivery, ensure that the budget process are in accordance with the relevant laws and regulations.	The matter will be investigated and the financial statements adjusted to disclose the contingent liability as required by GRAP 19 for the financial year 2015/16.
C14	90	C19	83	8 0	C20	60
Receivables - Debtors with credit balances	Receivables: Impairment of councillors' overpayment receivable	Receivables: Non paying debtors for the past three years	HR Compliance: Discripincies identified with regard to acting positions	HR Compliance: Minumum Competencies	AOPO: Budget process including service delivery and budget implementation	Prior year follow up - Contingent Liabilities - Contingent liabilities is understated
39	41	42	46	47	20	52

$\overline{}$
↽
Φ
Ø
g
Ф

Notresolved	Not resolved	Not resolved	Not resolved	Not resolved	Not resolved	Not resolved	Not resolved
31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016
CFO	CF0	MM	MM	CFO	CFO	CFO	CF0
Payroll	Payroll	PMS	PMS	Revenue	Revenue	Revenue	Revenue
Management will ensure that all allowances paid are correctly calculated as per policy or SALGA regulation and reviewed as a monitoring control.	Management will ensure that third parties payments are paid within seven days of the end of the month for which employee deductions was withheld in order to avoid non-compliance of the applicable legislation as a result of late payment.	Management will ensure that the planned objectives, indicators and targets are reported in the Annual Performance Report (APR).	Management will implement effective mechanisms, systems and processes to monitor, measure and review performance indicators and targets.	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	The matters will be investigated and followed up that outstanding debt at year-end is valid outstanding debt.	Management will ensure that the matter is investigated and the Traffic Fine Register is developed and maintained.	Management will monitor distribution losses on a monthly basis and disclose appropriately.
C16	C12	C20	C15	C15	C18	C10	83
Employee cost: Descripencies identified on allowances paid.	Employee cost: Non payment levies Third parties (SARS)	AOPO: Inconsistencies of objectives and targets identified	Predetermined Objectives: Performance management framework not sufficiently implemented	Consumer Deposits: Deposit Register amount differs with the AFS amount	Receivables: Large and Unusual Debtors	Revenue - Traffic fine calculation not provided	Revenue: Distribution loss not calculated and disclosed.
53	54	22	99	62	64	65	67

Actior hased on Mistatements affecting the Auditor's Rewitt

# Action based on Mistatements affecting the Auditor's Report

Not resolved	Not resolved	Not resolved	Not resolved	Not resolved	Not resolved
31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016
CFO	CFO	СFО	СFО	СБО	Dir - Tech
Revenue	Revenue	SCM	SCM	SCM	Technical
Management will ensure that the unused receipt books are not in the possession of cashiers but rather in the possession of a senior official and kept in a locked safe.	Management will ensure that amounts on the financial statements reconcile to the amount as per billing report in respect of unmetered consumption and are disclosed appropriately.	The matter will be investigated by management.	Management will implement the necessary controls to identify and prevent irregular expenditure and non-compliance to laws and regulations.	The matter needs to be investigated and reported back.	<ul> <li>(a) Management will ensure that a water infrastructure policy is approved and implemented.</li> <li>(b) Management will set develop a plan which specify timeframes and targets that relate to the maintenance of water infrastructure.</li> </ul>
C19	C22	C13	C17	C13	C18
Revenue: Unused receipt books	Revenue:Unmetered Consumption not disclosed in the financial statement	Procurement and contract management:  Awards to suppliers in which employees that are in service of state have an interest	Procurement and contract management: Deviation from compliance	Vehicles leased and purchased	AOPO: No approved Water Services Development Plan in place (Ex.175)
89	72	88	88	96	97

Not: resolved	Notresolved
31 March 2016	31 March 2016
Dir - Tech	
Technical	
were made by the consultants that needs to be implemented:  • "It is recommended that better inspection of the abattoir and strict enforcement of law be made by Mafube Local Municipality to be able to reduce environmental contamination and related diseases.  • A water user licence will be put in place and strict monitoring is implemented to ensure that compliance is maintained at all times.  • A review of the treatment process by the abattoir is necessary together with the subsequent process designs to prove that the method used will be adequate.  • Rehabilitation of the ponds is necessary to clear them of the subsequent process designs to the subsequate.  • Continuous monitoring and daily site analysis of waste water needs to be implemented.  • Disinfection of the effluent is also necessary to minimise the microbial risk to downstream and aquatic organisms.  • Mafube municipality will implement an impact study on the receiving water body considering the organic discharge from the abattoir and upstream WWTW."	Management will implement sufficient control measures and mechanisms to ensure that assessment rates are reconciled and maximised so that electronic and manual valuation rolls are timeously updated and reconciled.
C17	C17
Environmental impact of abbatoir wast in oxidation pond	Assessment Rates Reconciliation

Actic hased on Mistatements affecting the Auditor's Reart



### APPENDICES

### Appendix A: Councillors: Committee Allocation and Council Attendance

A1 List of Councillors

Initials and Surname	Ward Responsible for
	ANC Councillors
J.E Sigasa (Mayor)	1
T.M Moloi (Speaker	N/A
M Mosia (Chief Whip)	3
J.J Hlongwane	2
F.P Motloung	4
M. Mofokeng	6
U.C Jafta	7
W.C Motloung	8
L.S Kubeka	9
M. Sekhoto	N/A
N. Rakoloti	N/A
P. Monaune	N/A
	DA Councillors
H. Pretorius	5
M. C Duplessis	N/A
A.S Mosia	N/A
	COPE Councillors
F. Motloung	N/A
M. Hadebe	

### A: 2 Number of Council Meetings Attended by Councillors

Number of	Barrier F	Nature of the Mile	iting	Apologies
meetings held for the period 1 July	Ordinary	Special	Total	
2014-30 June 2015	6	6	12	
Initials and Surname		Meetings At	tended	
J.E Sigasa (Mayor)	6	6	12	0
M.T Moloi (Speaker	5	5	10	2
M.A Mosia (Chief Whip)	6	4	10	2
J.J Hlongwane	6	5	11	1
F.P Motloung	5	5	10	2
M. M Mofokeng	5	6	11	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
U.C Jafta	6	5	11	1
W.C Motloung	6	5	11	1
L.S Kubeka	5	3	8	4
M. M Sekhoto	5	4	9	3
N. Rakoloti	6	6	12	0
P. Monaune	6	5	11	
J.J Pretorius	4	4	8	4
M. C Duplessis	5	5	10	2
S.A Mosia	5	5	10	2
P. Motloung	5	3	8	4
M. Hadebe	5	5	10	2 v v v v v v v v v v v v v v v v v v v

### **APPENDIX B: Committee and Committee Purpose**

### A.1

The following table provides an overview of the Council Committees and the purpose of each committee

Name of Committee	Purpose of Committee		
Service Delivery and Public Safety	Responsible for oversight over Public Safety of the municipality		
Community Services and LED	Responsible for oversight over Community Services and LED matters		
Infrastructure Services	Responsible for oversight over Infrastructure Services		
Corporate Services	Responsible for oversight over Human Resources and Administration Matters		
Financial Services	Responsible for oversight over Finance matters		
Audit Committee	Responsible for Oversight over the work of the internal audit and performance management unit of the municipality		
Municipal Public Accounts Committee	Responsible for overall oversight over the annual report and other assigned functions of the municipality		

### **A2 Committee Allocation**

The committee had 4 meetings in the financial year.

CORPORATE SERVICES PORTFOLIO COMMITTEE			
Initials and Surname	Political Party	No. of meetings attended by the councillors	Apologies
Cllr. W.C Motloung (chairperson)	ANC	4	0
Cllr N. Rakoloti	ANC	2	2
Cllr. JJ Pretorius	DA	1	3

The committee had 6 meetings in the financial year.

FINANCE PORTFOLIO COMMITTEE			
Initials and Surname	Political Party	No. of meetings attended by the councillors	Apologies
Cllr. F.P Motloung (chairperson)	ANC	6	0
Cllr. P Monaune	ANC	5	1 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1
Cllr. M.C Du Plessis	DA	The Councillor did not so long, he was moved to b	erve in the committee for being an Exco member

The committee had 3 meetings in the financial year.

COMMUNITY SERVICES AND LED PORTFOLIO COMMITTEE				
Initials and Surname	Political Party	No. of meetings attended by the councillors	Apologies	
Cllr. JJ Hlongwane (chairperson)	ANC	3	0	
Cllr. P Monaune	ANC	3	0	
Cllr. M Mofokeng	ANC	3	0	
	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
	OF THE STATE OF TH			

### **APPENDIX C: Third Tier Administrative Structure**



### **APPENDIX D: Functions of Municipality/Entity**

Mafube Local Municipality performs the following functions in terms of the Constitution

Category B Functions	Category C Functions	Provincial and National
Local Municipality	District Municipality	Provincial Government
Air pollution	Refuse removal and solid	Libraries
Building	waste Municipal roads	Housing
regulations	Municipal	
Bill boards and display of	airports Fire	
advertisements Storm water	fighting	
Trading	Markets	
regulations	Cemeteries	ne eest
Cleansing	Municipal public	
Facilities, accommodation and burial of	works Electricity	
animals Fencing and fences	regulation	
Local sport facilities	Municipal health	
Municipal parks and	Storm water	
recreation Municipal	Potable	4
planning	water	
Municipal public	Sanitati	
transport Municipal	on	
Licensing of dogs	A STATE OF THE STA	

### **APPENDIX E: Ward Reporting**

Ward Committees have been established and were inducted by the District and CoGTA on roles and responsibilities and ward meetings are held.

### **Ward Committee Meetings**

Ward	Number of reports submitted to the Office of the Speaker
Ward 1	11
Ward 2	3
Ward 3	2
Ward 4	0
Ward 5	2
Ward 6	5
Ward 7	6
Ward 8	7
Ward 9	2

### **Public Meetings**

Ward	Number of reports submitted to the Office of the Speaker
Ward 1	11
Ward 2	8
Ward 3	7
Ward 4	6
Ward 5	6
Ward 6	7
Ward 7	9
Ward 8	8
Ward 9	9

### **APPENDIX F: Ward Information**

Initials and Surname	Ward	Party	
J.E Sigasa (Mayor)	1	ANC	
J.J Hlongwane	2	ANC	
M Mosia (Chief Whip)	3	ANC	
F.P Motloung	4	ANC	
J.J Pretorius	5	DA	
M. Mofokeng	6	ANC	
U.C Jafta	7	ANC	
W.C Motloung	8	ANC	
L.S Kubeka	9	ANC	

### **APPENDIX G: Recommendations of the Municipal Audit Committee**

### **Performance and Audit Committee Report**

We are pleased to present our report for the financial year ended 30 June 2015.

### 1. Audit committee mandate and terms of reference

The Mafube Local Municipality (Performance) Audit Committee (the committee) has adopted a formal mandate and terms of reference that has been approved by Council in the year under review. The committee has conducted its affairs in compliance with this mandate and terms of reference and has discharged its responsibilities contained therein.

The mandate and terms of reference are available on request.

### 2. (Performance) Audit Committee members and meeting attendance

The committee consists of three (3) independent, non-executive members and meets at least four times per annum as per the committee mandate and terms of reference.

Municipal Manager, Chief Finance Officer, Chief Audit Executive, external auditor(s) and other assurance providers attend meetings by invitation.

During the year under review 7 meetings were held.

Name of Attendees	26 <sup>th</sup> Aug 2014	09 <sup>th</sup> Dec 2014	13 <sup>th</sup> Jan 2015	28 <sup>th</sup> Jan 2015	11 <sup>th</sup> March 2015	12 <sup>th</sup> May 2015	17 <sup>th</sup> June 2015
Mr. Mahlangu W.K  Post Graduate Diploma: Advance Management	Present	Present	Present	Present	Present	Present	Present
Mr. Mgaga W.  B.Com (Unisa) Taxation Certificate (U.J) Project Management (Rosebank College) LLB Degree (Unisa)	Present	Present	Present	Present	Present	Present	Present

Name of Attendees	26 <sup>th</sup> Aug 2014	09 <sup>th</sup> Dec 2014	13 <sup>th</sup> Jan 2015	28 <sup>th</sup> Jan 2015	11 <sup>th</sup> March 2015	12 <sup>th</sup> May 2015	17 <sup>th</sup> June 2015
Ms. Skaundi V.  B.Com (Accounting) E&Y Completed Articles	Present	Present	Present	Present	Present	Present	Present

### 3. Roles & Responsibilities

The committee's roles and responsibilities include its statutory duties as per the **Municipal Finance Management Act No. 56 of 2003**, **MFMA Circular 65**, and the responsibilities assigned to it by the Council.

### a) Statutory duties

In the conduct of its duties, the committee has recommended the following in accordance with their statutory duties (extract):

- i. **Financial Disclosure.** The audit committee reviewed the financial statements before they are publicly disclosed. With respect to other public disclosures of information that is extracted or derived from the financial statements, the audit committee has recommended that management should put appropriate procedures into place for adequate reviews of information;
- ii. The establishment of an information technology, risk, budget committee and the fraud prevention, business continuity and disaster recovery plan;
- iii. A policy should be developed to address matters relating to processes and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting as well as related party transactions;
- iv. A policy relating to suspense accounts should be developed in order to prevent uncleared suspense accounts at year end and possible fraudulent activities;
- v. Audit Committee advised the Municipality that they should have a determined staff for collections.

### **External auditor**

1

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2015.

### **Financial Statements**

The committee has reviewed the financial statements of Mafube Local Municipality and expressed its dissatisfaction with the timing of the Annual Financial Statements for the review

by both the Internal audit Function and the Audit Committee. Compliance with the Generally Recognized Accounting Principles is not achieved.

### Overall Duties of the Audit Committee

The Audit Committee is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Council and these functions.

### **Risk Management Activities**

The Accounting Officer is responsible for the establishment of effective risk management within Mafube Local Municipality

Risk Management is still at an infant stage, and requires more attention and prioritization to better equip management with enabling information regarding challenges emerging challenges and their potential impact on the pre-determined targets. There is a Risk Management Committee established, however, more work is yet to be witnessed from the Committee to be effective in dealing with consternations pertaining to the achievement of target as set on the (Integrated Development Plan (IDP), Service Delivery Budget Implementation Plan (SDBIP) and Performance Agreements (PA) of the Mafube Local Municipality.

The (Performance) Audit Committee has an oversight role in ensuring that the Municipal Council is timely served with enabling, judicious and impartial information regarding the state of risks within Mafube Local Municipality.

### **Control Environment**

The International Standards for the Professional Practice of Internal Auditing (Standards) Glossary defines the control environment as:

The attitude and actions of the council and management regarding the significance of controls within the organization. The control environment provides discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the below-listed elements:

- a) Integrity and ethical values:
  - A sound integrity and ethical values (Code of Conduct), has not been developed.
- b) Management philosophy and operating style:
  - A level of voluntary adherence to the Code of Conduct substantiates the measure of cohesion and professionalism within the Municipality.
- c) Financial Reporting Competencies:
- d) Mafube Local Municipality has for the past two (2) financial years, been compiling the Annual Financial Statements in-house, therefore, there is an improvement in this area, though there is still more to be achieved.
- e) Organizational structure:

 An Organisational structure was adopted by Council and implemented for the year under review. Furthermore, a skills audit was conducted by the Human Resource Department with a view to gain an understanding of the available qualifications, critical vacancies and appropriate placement based on a set of skills and qualifications.

### f) Financial Reporting Objectives:

 Management was able to specify financial reporting objectives with sufficiency and clarity and the criteria to enable the identification of risks to reliable financial reporting.

### g) Fraud Risk:

 The potential for material misstatement due to fraud is explicitly considered in assessing risk to the achievement of financial reporting objectives.

### Performance Management

Part of the responsibilities of the Audit Committee includes the review of the performance management. The Council has pronounced the Audit Committee as a Performance and Audit Committee, i.e. an adequate scope of work by the Committee was considered and acknowledged, as contextualized in section 166 of the MFMA.

The Audit Committee has, from the financial year under review, started operating as a (Performance) Audit Committee.

The Performance Management Unit has been established, but has not been effective for the year under review.

Mr. W.K. Mahlangu

Chairman of the Performance and Audit Committee Mafube Local Municipality

### **APPENDIX H: Long Term Contracts and Public Private Partnership**

Name	Project
Rural Maintenance	Electricity supply
Ramutsa Rail	Extension of waste water treatment works
BokhomaMpha	Namahadi upgrading of gravel roads to paved
Basia Environmental Services	Energy Efficiency
Sibusisiwe Electrical	Electricity connection

### **APPENDIX I: Municipal Entity/Service Provider Performance Schedule**

Not available

### **APPENDIX J: Disclosure of Financial Interest**

Financial Interest Disclosure by Senior Management

Initials and Surname	Designation	Declaration of Interest made (Yes/No)
Mr P.I Radebe	Municipal Manager	Yes
Mr N.A Hlubi	Chief Financial Officer	Yes
Mrs N.E Radebe	Director Corporate Services	Yes
Mrs Z.E Mofokeng	Director Community Services and LED	Yes
Mr A.L Mphuthi	Director Planning and Infrastructure (Acting)	Yes
Mrs M.K.H Tsotetsi	Director Service Delivery and Public Safety (Acting)	Yes

### APPENDIX K: REVENUE COLLECTION PERFORMANCE

12	Re f	2013/1	/1 Budget Year 2014/15							
		Audite d Outco me	Origin al Budge t	Adjust ed Budget	Month ly actual	YearT D actua	YearT D budg et	YTD varian ce	YTD varian ce	Full Year Foreca st
R thousands		Pol 300	2 2 2						%	100
Revenue By			70	A AI			29 34			
Source		n 1 1 1	A 20 20 20 20 20 20 20 20 20 20 20 20 20							10 P
Property rates		19 474	16	16 449	2 974	17	8 020	9 807	122%	
			040			827				25-
Property rates - penalties & collection charges			2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1				_			
Service charges - electricity revenue		(102)					-	_		
Service charges - water revenue		16 770	16 032	13 905	2 369	16 287	8 016	8 271	103%	
Service charges - sanitation revenue		15 313	13 328	11 560	1 387	8 309	6 664	1 645	25%	
Service charges - refuse revenue		13 862	15 868	13 763	1 007	6 030	7 934	(1 904)	-24%	
Service charges		1 275	1 018	0	113	671	509	162	32%	
Rental of facilities and equipment		543	274	202	9	55	137	(82)	-60%	
Interest earned - external investments	7	12 999	546	546	0	55	273	(218)	-80%	18 18 18 18 18 18 18 18 18 18 18 18 18 1
Interest earned - outstanding debtors		e de la companya de l	2 851	18 294	1 643	9 147	1 426	7 721	542%	
Dividends received		5					_	_		
Fines		74	3 180	3 180	4	66	1 590	(1 524)	-96%	
Licences and permits				Mg BB		P 200 200 200 200 200 200 200 200 200 20	7	-		
Agency services		25 x 25						_		
Transfers recognised - operational		81 227	79 571	80 239	14 813	46 401	39 786	6 615	17%	
Other revenue		2 929	5 704	5 310	64	1 301	2 852	(1 551)	-54%	THE RESERVE

Gains on	96 pd grade 1			Ten Bur			_		
disposal of PPE	-		8 2						100
Total Revenue	164	154	163	24 383	106	77	28 943	37%	
(excluding	364	412	448		149	206			
capital			us;		JE .				
transfers and									The State
contributions)									

### **APPENDIX L: Conditional Grants Received: Excluding MIG**

Name of Grant	Name of Organ of State	Quarterly Receipts						
		September	December	March	June	Total		
Equitable Share	National Treasury	R30 351 000,00	R14 759 000,00		R9 968 000,00	R55 078 000,00		
MSIG	CoGTA	R934 000,00				R934 000,00		
CoGTA	CoGTA		3 000 000,00	1	-	R3 000 000,00		
FMG	National Treasury	R1 800 000,00	-	-		R1 800 000,00		
INEG	Department of Energy	-	R750 000,00	R2 250 000,00	-	R3 000 000,00		
EEDG	Department of Energy	-	-	R4 000 000,00		R4 000 000,00		
EPWP	Department of Public Works	R400 000,00	R300 000,00	R300 000,00		R1 000 000,00		
TOTAL	VVOIR3	R33 485 000,00	R18 809 000,00	R6 550 000,00	R9 968 000,00	R 68 812 000,00		

### APPENDIX M: Capital Expenditure-New and Upgrade/Renewal Programmes: Including MIG

N o	Project description	14/15 Allocation	Expenditure	Balance of project allocation	New/Upgrade
1	Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	R11 222 160,00	R5 189 766,07	R6 032 393,93	Upgrade
2	Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	R25 082 805,00	R23 415 927,69	R1 666 877,31	New
3	Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	R35 843 709,00	R18 056 911,90	R17 786 797,10	Upgrade
4	Mafahlaneng/Tweeling:Upgrad e of Sports Ground (MIS: 212177)	R2 457 005,00	R721 829,40	R1 735 175,60	Upgrade
5	Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	R4 307 886,00	R1 176 557,49	R3 131 328,51	Upgrade
6	Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	R4 624 515,00	-	R4 624 515,00	Upgrade
7	Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	R11 219 844,00		R11 219 844,00	New
8	Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	R15 000 000,00		R15 000 000,00	Upgrade
9	Namahadi/Zomba: Upgrading of Sports Ground		*		Upgrade

### **APPENDIX N: Capital Programme by Project Current Year**

No	Project description	Area	2014/2015 Expenditure
1	Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	Namahadi	R5 189 766,07
2	Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	Namahadi	R23 415 927,69
3	Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	Qalabotjha	R18 056 911,90
4	Mafahlaneng/Tweeling:Upgrade of Sports Ground (MIS: 212177)	Tweeling	R721 829,40
5	Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	Namahadi	R1 176 557,49
6	Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	Ntswanatsatsi	
7	Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	Qalabotjha	
8	Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	Namahadi	
9	Namahadi/Zomba: Upgrading of Sports Ground	Namahadi	

### **APPENDIX O: Capital Programme by Project by Ward Current Year**

No	Project description	Ward	2014/2015 Expenditure
1	Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	Ward 6	R5 189 766,07
2	Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	Ward 7	R23 415 927,69
3	Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	Ward 3,4 and 9 (The whole area of Villiers)	R18 056 911,90
4	Mafahlaneng/Tweeling:Upgrade of Sports Ground (MIS: 212177)	Ward 8	R721 829,40
5	Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	Ward 2,5,6 and 7 (The whole area of Namahadi)	R1 176 557,49
6	Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	Ward 1	
7	Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	Ward 3,4 and 9 (The whole area of Villiers)	
8	Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	Ward 2	7
9	Namahadi/Zomba: Upgrading of Sports Ground	Ward 2,5, 6 and 7	

### **Appendix P: Service Connection Backlogs at Schools and Clinics**

Local Municipal ity	Town	Hospitals	BACKLOGS	Access to basic services (Water, sanitation, electricity and roads)	Intervention required
MAFUBE	Cornelia	0	One public Hospital services the four towns in Mafube	Available and in a good functional state	Building of another hospital in Villiers as this town is along the N3, and is closer to Cornelia, and also building another clinic in Namahadi. As the current one in ward 7 is small.
	Frankfor t	Frankfort Hospital (Public) Riemland (Private)			
	Tweelin g	0			
	Villiers	0			
	TOTAL	2			

### Number of schools in rural Area in Mafube local municipality

N0. of Primary Schools	Access to water	Access to sanitation	Access to electricity	Access to ICT Infrastructure
12	10 have access and 2 don't have access	1 have access, 1 is using a VIP toilet, 9 are using pit toilets and 1 doesn't have access	5 have access and 7 doesn't have access	None

Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is Responsible for Service Provision.

Not available

### Appendix R: Declarations of Loans and Grants Made by the Municipality.

Organization	Value
DBSA	R2 199,895.98

Appendix S: Declaration of Returns not Made in due Time under MFMA s71
Section 71 reports not submitted on time was for December 2014 and May 2015.

**Appendix T: National and Provincial Outcome for local government**None

### LIST OF ABBREVIATIONS

AIDS Acquired Immune Deficiency Syndrome

AQMP Air Quality Management Plan

BBBEE Broad Based Black Economic Empowerment

BEE Black Economic Empowerment

BSC Balanced Scorecard

CDW Community Development Workers

CFO Chief Financial Officer

CIDB Construction Industry Development Board

COGTA Department of Cooperative Governance and Traditional Affairs

CPF Community Policing Forums
CPIX Consumer Price Index

CWP Community Works Programme

DBSA Development Bank of South Africa

DEDP Director: Economic Development and Planning
DPLG Department of Provincial and Local Government

DME Department of Mineral and Energy

Dora Division of Revenue Act
DRM Disaster Risk Management

DODCS Director: Organisational Development and Corporate Services

DoRA Division of Revenue Act
DSS Director: Social Services

DTIS Director: Technical and Infrastructural Services

DWA Department of Water Affairs EAP Economic Active Population

EIA Environmental Impact Assessment

EID Economic and Infrastructure Development Cluster

EM Executive Mayor

EPWP Expanded Public Works Programme
ESKOM Electricity Supply Commission
FMG Financial Management Grant

GAC Governance and Administration Cluster
GIS Geographical Information Systems

GRAP Generally Recognised Accounting Practices

HIV Human Immunodeficiency Virus
HRD Human Resources Development

HRDS Human Resources Development Strategy
ICT Information Communication and Technology

IDP Integrated Development Plan
IGR Intergovernmental Relations
KPA Key Performance Areas
KPI Key Performance Indicators
LED Local Economic Development

LGSETA Local Government Sector Education and Training Authority

LGTAS Local Government Turnaround Strategy

LSM Living Standard Measure MAYCO Mayoral Committee

MEC Member of the Executive Council
MFMA Municipal Finance Management Act
MIG Municipal Infrastructure Grant

MIIF Municipal Infrastructure Investment Framework

MMC Member of the Mayoral Committee

MOU Memorandum of Understanding MPRA Municipal Property Rates Act

MSA Municipal Systems Act

MSIG Municipal Systems Improvement Grant

MTAS Municipal Turnaround Strategy
MTBC Medium Term Budget Committee

MTREF Medium Term Revenue and Expenditure Framework

MTSF Medium Term Strategic Framework
NEMA National Environmental Management Act
NERSA National Electricity Regulator of South Africa

NKPI National Key Performance Indicators
NSDP National Spatial Development Perspective

NT National Treasury

OD Organisational Development

OHSA Occupational Health and Safety Act

PGDS Provincial Growth and Development Strategy

PHC Primary Health Care

PI F Premier's Inter-governmental Forum

PM Performance Management

PMS Performance Management System

PPP Public Private Partnership

PT Public Transport

PWD People Living With Disability

RDP Reconstruction and Development Programme

RED Regional Electricity Distributor

SALGA South African Local Government Association

SALGBC South African Local Government Bargaining Council

SAPS South African Police Service
SARS South African Revenue Service
SCM Supply Chain Management

SDBIP Service Delivery and Budget Implementation Plan

SDF Spatial Development Framework

SETA Sector Education and Training Authority

SGB School Governing Body
SLA Service Level Agreement

SMME Small, Medium and Micro Enterprise

SPCD Social Protection and Community Development Cluster

UIF Unemployment Insurance Fund WWTW Waste Water Treatment Works WTW Water Treatment Works

### **VOLUME II**

### (ANNUAL FINANCIAL STATEMENTS)



Financial Statements for the year ended June 30, 2015

#### **General Information**

furthering the interests of the local community mainly in the Mafube

area.

**Municipal Council** 

MayorSigasa JE\*CouncillorsDu Plessis MC\*

Hadebe M Hlongwane JJ Jafta UC Kubheka LS Mofokeng MM Moloi T (Speaker) Monaune PM Motloung FP

Motloung P
Mosia AM\*
Pretorius JJ

Sekhoto MM Rakoloti N

\*Executive Council Member

Grading of local authority Medium capacity, category B municipality's defined by the Municipal

Structures Act, 1998 (Act No 117 of 1998).

Chief Finance Officer (CFO) NA Hlubi

Accounting Officer PI Radebe

Business address 64 JJ Hadebe Street

Frankfort Free State 9830

Postal address PO Box 2

Frankfort Free State 9830

Bankers ABSA Bank Limited

Auditors Auditor-General

Attorneys Richter and Boshoff Attorneys

**Enabling Legislation** Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Municipal Structures Act, 1998 (Act No. 17 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)

Constitution of the Republic of South Africa, 1996 (Act No. 108 of

1996)

Website www.mafubemunicipality.gov.za

# Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

•	·	•
Index		Page
Accounting Officer's Responsibilities a	and Approval	3
Accounting Officer's Report		4
Statement of Financial Position		5
Statement of Financial Performance		6
Statement of Changes in Net Assets		7
Cash Flow Statement		8
Statement of Comparison of Budget a	and Actual Amounts	9 - 10
Accounting Policies		11 - 29
Notes to the Financial Statements		30 - 57
Abbreviations		
COID	Compensation for Occupational Injuries and Diseases	
CRR	Capital Replacement Reserve	
DBSA	Development Bank of South Africa	
SA GAAP	South African Statements of Generally Accepted Accounting Practice	ctice
GRAP	Generally Recognised Accounting Practice	
GAMAP	Generally Accepted Municipal Accounting Practice	
HDF	Housing Development Fund	
IAS	International Accounting Standards	
IMFO	Institute of Municipal Finance Officers	
IPSAS	International Public Sector Accounting Standards	
ME's	Municipal Entities	
MEC	Member of the Executive Council	
MFMA	Municipal Finance Management Act	
MIG	Municipal Infrastructure Grant (Previously CMIP)	

Financial Statements for the year ended June 30, 2015

# Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Management Act, 2003 (Act No. 56 of 2003), I am responsible for the presentation of these annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis. These financial statements were not tabled for review by the Audit Committee.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 32 of these annual financial statements, are within the upper limits of the framwork envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996), read with the Remuneration of Pubic Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..

PI Radebe

Municipal Manager

Financial Statements for the year ended June 30, 2015

# **Accounting Officer's Report**

The accounting officer submits his report for the year ended June 30, 2015.

#### Review of activities

#### Main business and operations

#### Going concern

The municipality is experiencing financial difficulties, the following indicators are as follows:

- (a) Suppliers were not paid within the legislative period of 30 days, as required by section 64 of the MFMA;
- (b) The municipality defaulted on the repayment of the DBSA non-current borrowings which has led to the restructuring of the borrowings
- (c) Conditional grants have not been spent within the required period and have thus, been used for operating purposes;
- (d) Although the VAT returns have been submitted on time for the financial year, payments were not made within the required period after submission.
- (e)PAYE, UIF and SDL were not submitted and paid over on time to SARS.
- (f) Statutory deductions made from the employee's salaries have not been paid over to third parties on time;
- (g) Employee benefit abligations are unfunded.
- (h) Revenue collection rate has at no point of the financial year exceeded or reached 90% of the total monthly billing.

The municipality is currently exploring alternative means to improve its financial position.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source funding for the ongoing operations for the municipality.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

#### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

#### Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

#### **Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name PI Radebe Nationality South African

#### **Auditors**

Auditor-General will continue in office for the next financial period.

# Statement of Financial Position as at June 30, 2015

Current Assets           Inventories         8         450,155         370,635           Other financial assets         6         450,555         331,415           Receivables from exchange transactions         10         6,209,628         3,095,107           Consumer receivables from exchange transactions         10         6,209,628         3,095,807           Consumer receivables from exchange transactions         11         63,994,728         25,920,954           Cash and cash equivalents         13         619,928         64,367           Consumer receivables from exchange transactions         3         619,928         64,367           Consumer deceivables from exchange transactions         3         5,881,000         64,367           Non-Current Assets         3         2,836,248         53,891,000           Property, plant and equipment         3         2,8236,248         53,891,000           Intransplate assets         5         126,143         160,000           Other financial assets         5         126,143         160,000           Total Assets         5         126,143         125,1490,014           Current Liabilities         6         263,581         263,581           Current Liabilities         1<	Figures in Rand	Note(s)	2015	2014
Inventories         8         450,155         370,635           Other financial assets         6         40,555         31,415           Receivables from exchange transactions         10         6,209,628         3,695,687           Consumer receivables from exchange transactions         11         63,209,428         35,926,954           Cash and cash equivalents         13         619,928         34,374,068           Cash and cash equivalents         13         619,928         34,374,068           Non-Current Assets         3         52,836,248         58,891,030           Property, plant and equipment         4         1,044,127,738         1,153,361,203           Intangible assets         5         126,143         166,00           Other financial assets         5         126,143         166,00           Other financial liabilities         6         328,695         323,705           Total Assets         5         126,143         166,00           Current Liabilities         8         263,581         263,581           Finance lease obligation         14         263,581         263,581           Finance lease obligation         14         254,5955         868,586           Payables from exchange transactions </td <td>Assets</td> <td></td> <td></td> <td></td>	Assets			
Other financial assets         6         40,555         31,415           Receivables from exchange transactions         9         5,73,582         3,698,010           Receivables from non-exchange transactions         11         6,209,628         3,699,687           Consumer receivables from exchange transactions         11         63,954,782         35,926,954           Cash and cash equivalents         11         63,954,782         35,926,954           Cash and cash equivalents         11         619,928         64,378           Non-Current Assets         76,348,630         43,748,068           Investment property         3         52,836,248         53,891,030           Property, plant and equipment         4         1,044,127,738         1,153,361,203           Intangible assets         5         126,143         166,008           Other financial assets         5         326,955         323,705           Total Assets         5         1,097,418,824         1,207,741,946           Total Assets         5         1,173,767,454         1,217,400,014           Total Assets         16         263,581         263,581           Finance lease obligation         16         263,581         263,581           Finance lease obli	Current Assets			
Receivables from exchange transactions         9         5,073,582         3,659,010           Receivables from non-exchange transactions         10         6,209,628         3,695,010           Consumer receivables from exchange transactions         11         63,984,782         5,926,985           Cash and cash equivalents         16         619,928         64,367           Row for exchange transactions         16         619,928         64,367           Non-Current Assets         Security of plant and equipment         3         52,836,248         53,891,000           Property, plant and equipment         3         52,836,248         153,361,200           Intangible assets         5         126,143         166,008           Other financial assets         5         126,143         166,008           Total Assets         1         1,097,418,82         1,207,741,900           Current Liabilities         1         263,581         283,581           Current Liabilities         16         263,581         283,581           Finance lease obligation         16         263,581         281,585           Consumer deposits         20         819,109         786,920           Consumer deposits	Inventories	8		370,635
Receivables from non-exchange transactions         10         6,209,628         3,695,687           Consumer receivables from exchange transactions         11         63,954,782         35,926,954           Cash and cash equivalents         16,992,836         43,676           Non-Current Assets         Investment property         3         52,836,248         53,891,030           Property, plant and equipment         4         1,044,127,738         1,153,361,203           Intengible assets         5         126,143         166,008           Other financial assets         6         328,695         322,075           Total Assets         1,097,418,824         1,207,741,946           Total Assets         1,173,767,454         1,207,741,946           Total Assets         1,173,767,454         1,207,741,946           Total Assets         1,173,767,454         1,207,741,946           Total Assets         1         263,581         263,581           Total Assets         1         263,581         263,581 <t< td=""><td>Other financial assets</td><td></td><td></td><td>·</td></t<>	Other financial assets			·
Consumer receivables from exchange transactions         11 day 61,954,782 day,854         35,926,954 day,867           Cash and cash equivalents         16 day,928 day,867         64,367           Non-Current Assets         1 my factor of the property         3 52,836,248 day,887         53,891,030 day,891,030 day,891,030 day,891,030 day,891,030 day,991,030				
Cash and cash equivalents         13         619,928         64,367           Non-Current Assets         Investment property         3         52,836,248         53,891,030           Property, plant and equipment Intangible assets         41,044,127,738         1,52,361,203         166,000           Intangible assets         5         1,26,143         166,000           Other financial assets         6         328,995         323,705           Total Assets         1,097,418,824         1,207,741,946           Total Assets         1,173,767,454         1,251,490,014           Current Liabilities           Current Liabilities         16         263,581         263,581           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,604           Consumer deposits         20         819,109         786,925           Consumer deposits         20         9,400,165         21,611,165           Consumer deposits         20         9,400,165         21,611,165           Consumer deposits         21         9,400,165         21,611,165           Chef financial liabilities         16         1,316,665 <t< td=""><td>-</td><td></td><td></td><td></td></t<>	-			
Non-Current Assets         76,348,630         43,748,068           Investment property         3         52,836,248         53,891,030           Property, plant and equipment         4         1,044,127,738         1,53,361,203           Intangible assets         5         126,143         106,008           Other financial assets         328,695         323,705           Total Assets         1,097,418,824         1,207,741,946           Total Assets         2         1,173,767,454         1,251,490,014           Current Liabilities           Current Liabilities         16         263,581         263,581           Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,504           Consumer deposits         20         819,109         786,202           Unspent conditional grants and receipts         15         9,400,165         216,11,165           Von-Current Liabilities         16         1,316,665         1,823,688           Finance lease obligation         14         7         366,722           Employee benefit obligation </td <td></td> <td></td> <td></td> <td></td>				
Non-Current Assets           Investment property         3         52,836,248         53,891,030           Property, plant and equipment         4         1,044,127,738         1,153,361,203           Intangible assets         5         126,143         166,008           Other financial assets         6         328,695         323,705           Total Assets         1,097,418,824         1,207,741,946           Current Liabilities         2         4         254,545         1,251,490,014           Current Liabilities         16         283,581         253,581         263,581<	Cash and cash equivalents	13	619,928	
Investment property			76,348,630	43,748,068
Property, plant and equipment         4         1,044,127,738         1,153,361,203           Intangible assets         5         126,143         166,008           Other financial assets         6         328,695         323,705           Total Assets         1,097,418,824         1,207,741,946           Current Liabilities         5         1,173,767,454         1,251,490,014           Current Liabilities         16         263,581         263,581           Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,385,04           Consumer deposits         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Other financial liabilities         16         1,316,665         1,823,699           Finance lease obligation         14         1,25,794         1,823,699           Finance lease obligation         14         1,25,794         1,823,699           Finance lease obligation         17         9,759,739         8,970,519           Finance lease obligation	Non-Current Assets			
Intangible assets         5         126,143         166,008           Other financial assets         6         328,695         323,705           Total Assets         1,097,418,824         1,207,741,946           Liabilities           Current Liabilities           Other financial liabilities         16         263,581         263,581           Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,504           Consumer deposits         20         819,109         786,920           Consumer conditional grants and receipts         15         9,400,165         21,611,165           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Post, 10         295,214,101         218,512,581           Pinance lease obligation         14         1 - 2         366,722           Employee benefit obligation         14         1 - 2         366,722           Employee benefit obligation         17         9,759,739         8,970,519           Total Liabilities         18         25,534,352	Investment property	3		
Other financial assets         6         328,695         323,705           Total Assets         1,097,418,824         1,207,741,946           Liabilities           Current Liabilities           Other financial liabilities         16         263,581         263,581           Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,504           Consumer deposits         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Non-Current Liabilities         15         9,400,165         21,611,165           Tinancial liabilities         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         17         9,759,739         8,970,519           Total Liabilities         25,534,352         25,534,352         25,535,744           Total Liabilities         320,748,453	Property, plant and equipment			
Total Assets         1,097,418,824 1,207,741,946           Liabilities         Current Liabilities           Other financial liabilities         16 263,581 263,581         263,581 263,581           Payables from exchange transactions         14 545,955 868,586         586,586           VAT payables from exchange transactions         18 274,867,634 181,593,825         181,593,825           VAT payable         19 9,317,657 13,388,504         20 819,109 786,920           Consumer deposits         20 819,109 786,920         20 819,109 786,920           Unspent conditional grants and receipts         15 9,400,165 21,611,165         216,111,165           Non-Current Liabilities         16 1,316,665 21,631,382         1,823,689           Finance lease obligation         14 5 7 366,722         366,722           Employee benefit obligation         7 14,457,948 14,674,814         14,674,814           Provisions         7 9,759,739 8,970,519         25,534,352 25,835,744           Total Liabilities         320,748,453 244,348,325         320,748,453 244,348,325           Net Assets         853,019,001 1,007,141,689	Intangible assets			
Current Liabilities         1,173,767,454         1,251,490,014           Current Liabilities         3         263,581         263,581           Chher financial liabilities         16         263,581         263,581           Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,504           Consumer deposits         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Non-Current Liabilities         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         7         14,457,948         14,674,814           Total Liabilities         25,534,352         25,835,744           Net Assets         853,019,001         1,007,141,689	Other financial assets	6	328,695	323,705
Liabilities           Current Liabilities           Other financial liabilities         16         263,581         263,581           Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,504           Consumer deposits         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Pay5,214,101         218,512,581           Non-Current Liabilities         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         17         9,759,739         8,970,519           Total Liabilities         25,534,352         25,835,744           Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689				
Current Liabilities         Other financial liabilities       16       263,581       263,581         Finance lease obligation       14       545,955       868,586         Payables from exchange transactions       18       274,867,634       181,593,825         VAT payable       19       9,317,657       13,388,504         Consumer deposits       20       819,109       786,920         Unspent conditional grants and receipts       15       9,400,165       21,611,165         Description of the financial liabilities         Other financial liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       -       366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Total Assets		1,173,767,454	1,251,490,014
Other financial liabilities       16       263,581       263,581         Finance lease obligation       14       545,955       868,586         Payables from exchange transactions       18       274,867,634       181,593,825         VAT payable       19       9,317,657       13,388,504         Consumer deposits       20       819,109       786,920         Unspent conditional grants and receipts       15       9,400,165       21,611,165         VAT payable       20       819,109       786,920         Unspent conditional grants and receipts       15       9,400,165       21,611,165         295,214,101       218,512,581         Non-Current Liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       -       366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Liabilities			
Finance lease obligation         14         545,955         868,586           Payables from exchange transactions         18         274,867,634         181,593,825           VAT payable         19         9,317,657         13,388,504           Consumer deposits         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Power of transactions         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Power of transactions         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         7         9,759,739         8,970,519           25,534,352         25,835,744           Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689	Current Liabilities			
Payables from exchange transactions       18       274,867,634       181,593,825         VAT payable       19       9,317,657       13,388,504         Consumer deposits       20       819,109       786,920         Unspent conditional grants and receipts       15       9,400,165       21,611,165         Non-Current Liabilities         Other financial liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       -       366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Other financial liabilities	16	263,581	
VAT payable       19       9,317,657       13,388,504         Consumer deposits       20       819,109       786,920         Unspent conditional grants and receipts       15       9,400,165       21,611,165         Non-Current Liabilities         Other financial liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       -       366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Finance lease obligation		,	
Consumer deposits         20         819,109         786,920           Unspent conditional grants and receipts         15         9,400,165         21,611,165           Non-Current Liabilities           Other financial liabilities         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         17         9,759,739         8,970,519           Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689				
Non-Current Liabilities         15         9,400,165         21,611,165           Other financial liabilities         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         17         9,759,739         8,970,519           Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689	VAT payable			
Non-Current Liabilities         16         1,316,665         1,823,689           Other financial liabilities         16         1,316,665         1,823,689           Finance lease obligation         14         -         366,722           Employee benefit obligation         7         14,457,948         14,674,814           Provisions         17         9,759,739         8,970,519           Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689	Consumer deposits			
Non-Current Liabilities         Other financial liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       - 366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Unspent conditional grants and receipts	15	9,400,165	21,611,165
Other financial liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       -       366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689			295,214,101	218,512,581
Other financial liabilities       16       1,316,665       1,823,689         Finance lease obligation       14       -       366,722         Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Non-Current Liabilities			
Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         25,534,352       25,835,744         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Other financial liabilities	16	1,316,665	1,823,689
Employee benefit obligation       7       14,457,948       14,674,814         Provisions       17       9,759,739       8,970,519         25,534,352       25,835,744         Total Liabilities       320,748,453       244,348,325         Net Assets       853,019,001       1,007,141,689	Finance lease obligation	14	-	366,722
Provisions         17         9,759,739         8,970,519           25,534,352         25,835,744           Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689		7	14,457,948	14,674,814
Total Liabilities         320,748,453         244,348,325           Net Assets         853,019,001         1,007,141,689	• •	17	9,759,739	8,970,519
Net Assets 853,019,001 1,007,141,689			25,534,352	25,835,744
	Total Liabilities			
Accumulated surplus 853,019,003 1,007,141,689	Net Assets		853,019,001	1,007,141,689
	Accumulated surplus		853,019,003	1,007,141,689

# **Statement of Financial Performance**

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	24	61,461,665	48,865,840
Royalty income		779,299	549,867
Rental of facilities and equipment	37	435,122	543,056
Administration and management fees received		708,183	538,696
Recoveries		635,273	1,070,688
Other income	27	659,751	770,175
Interest received - investment	32	19,675,097	13,063,487
Total revenue from exchange transactions		84,354,390	65,401,809
Revenue from non-exchange transactions			
Taxation revenue		119,791	73,870
Fines Property rates	23	21,152,561	19,474,278
Transfer revenue			
Government grants & subsidies	25	102,213,468	96,843,819
Total revenue from non-exchange transactions		123,485,820	116,391,967
Total revenue	22	207,840,210	181,793,776
Expenditure	20		
Employee related costs	29	(73,311,313)	(77,962,771
Remuneration of councillors	30	(4,946,053)	(5,235,182
Depreciation and amortisation	34	(134,394,661)	
Finance costs	35	(12,101,882)	(7,849,642
Lease rentals on operating lease	31	(904,322)	(649,532 (37,976,426
Debt Impairment	31	(44,882,190)	(11,206,908
Repairs and maintenance	39	(32,876,183)	(27,714,956
Bulk purchases	38	(23,768,637) (3,547,907)	(6,746,501
Transfers and Subsidies	28	(30,568,142)	(25,293,339
General Expenses	20	(361,301,290)	
Total expenditure			
Operating deficit	33	(153,461,080)	
Fair value adjustments	33	1,401,000	(2,716,861
Gain on disposal of assets		(9,208)	
		1,391,792	(2,716,861
Deficit for the year		(152,069,288)	(158,841,689

# **Statement of Changes in Net Assets**

Figures in Rand	Accumulated Total net surplus assets
Balance at July 1, 2013 Changes in net assets	1,165,983,378 1,165,983,378
Surplus for the year	(158,841,689) (158,841,689)
Total changes	(158,841,689) (158,841,689)
Balance at July 1, 2014 Changes in net assets	1,005,088,291 1,005,088,291
Surplus for the year	(152,069,288) (152,069,288)
Total changes	(152,069,288) (152,069,288)
Balance at June 30, 2015	853,019,003 853,019,003
Note(s)	

# **Cash Flow Statement**

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Property Rates and service charges		21,152,561	21,155,325
Sale of Goods and Services		6,549,242	6,967,995
Grants		90,002,468	104,741,591
Interest income		19,675,097	12,998,767
Other receipts		14,557,142	3,472,482
		151,936,510	149,336,160
Payments			
Employee costs		(41,626,139)	(44,109,579)
Suppliers		(177,240,726)	(32,366,595)
Finance costs		(10, 159, 131)	(5,853,682)
Other cash item		105,526,462	(31,159,594)
		(123,499,534)	(113,489,450)
Net cash flows from operating activities	40	28,436,976	35,846,710
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(23,284,331)	(28,007,968)
Purchase of other intangible assets	5	-	(199,210)
Proceeds from sale of financial assets		(14,130)	62,547
Proceeds from sale of other assets		(9,208)	-
Net cash flows from investing activities		(23,307,669)	(28,144,631)
Cash flows from financing activities			
Repayment of other financial liabilities		(507,024)	10,096
Finance lease payments		(2,638,128)	(5,579,207)
Net cash flows from financing activities		(3,145,152)	(5,569,111)
Net increase/(decrease) in cash and cash equivalents		1,984,155	2,132,968
Cash and cash equivalents at the beginning of the year		64,367	2,699,097
Cash and cash equivalents at the end of the year	13	2,048,522	4,832,065
•			-

# Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Reference
Figures in Rand					actual	
Statement of Financial Performa	nce					
Revenue						
Revenue from exchange						
Service charges		31,345,714	31,345,714	/ /	30,115,951	
Royalty income	-	2,974,633	2,974,633	779,299	(2,195,334)	
Rental of facilities and equipment	-	98,080	98,080	1	337,042	
Administration and management ees received	-	972,949	972,949	708,183	(264,766)	
Recoveries	-	_	4 400 000	635,273	635,273	
Other income - (rollup)	-	1,166,086	1,166,086	659,751	(506,335)	
nterest received - investment		18,170,804	18,170,804		1,504,293	
Total revenue from exchange ransactions	-	54,728,266	54,728,266	84,354,390	29,626,124	
Revenue from non-exchange ransactions						
axation revenue			2 400 000		(2.000.200)	
Direct taxes (Income tax, estate luty)	-	3,180,000	3,180,000	119,791	(3,060,209)	
Property rates	-	15,562,166	15,562,166	21,152,561	5,590,395	
ransfer revenue						
Government grants & subsidies		108,494,216	108,494,216	102,213,468	(6,280,748)	
otal revenue from non- exchange transactions		127,236,382	127,236,382	123,485,820	(3,750,562)	
Total revenue	-	181,964,648	181,964,648	207,840,210	25,875,562	
Expenditure						
Personnel	-	(74,585,276)				
Remuneration of councillors	-	(4,926,142)	(4,926,142)		(19,911)	
Depreciation and amortisation	-	-	-		(134,394,661)	
inance costs	-	(5,989,516)	(5,989,516)		(6,112,366)	
ease rentals on operating lease	-	(1,306,179)	(1,306,179)	, , ,	401,857	
Bad debts written off	-	(3,307,500)	(3,307,500)	, ,		
Repairs and maintenance	-	(15,240,408)	(15,240,408)	(,		
Bulk purchases	-	(5,000,000)	(5,000,000)	. , , , ,		
ransfers and Subsidies	-	(8,500,000)	(8,500,000)			
General Expenses _		(173,948,933)	· · · ·			
otal expenditure		(===,===,,				
Operating deficit		(110,839,306)	(110,839,306	, , , , ,		
air value adjustments	-	-	-	1,401,000	1,401,000	
oss on biological assets and agricultural produce	-	-	-	(9,208)	(9,208)	
-		-	-	1,391,792	1,391,792	
Deficit before taxation		(110,839,306)	(110.839.306	) (152,069,288)	(41,229,982)	

# Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis		Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		- (110,839,306)	(110,839,306	) (152,069,288)	(41,229,982)	

Financial Statements for the year ended June 30, 2015

## **Accounting Policies**

#### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipalit's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements include:

## Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

## 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Acquisition dates of Property, Plant and Equipment

The assumptions used to determine the acquisition dates for items of Property, Plant and Equipment that have been recognised for the first time as part of the reconstruction of the immovable asset register is as follows (in order of application):

- Dates from existing asset register;
- Keystone or inscription on the asset;
- Dates from Delphi Group workshops;
- Asset material or technology (i.e. PVC pipes were not implemented before a particular date);
- Dates of township proclamation;
- Information from residents.

#### Other

#### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- · administrative purposes, or
- sale in the ordinary course of operations.

Investment propety excludes owner-occupied propetythat is used in the prouction or suply of goods and services or for administrative purposes, or propertyheld to provide social services.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.4 Investment property (continued)

#### Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item

Property - land

Property - buildings

Useful life indefinite x years

Disposal

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

#### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant coponents of an item of property, plant and equipment have different useful lives, they are accounted for as serparate items (major components) or propety, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

#### Subsequent cost

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of propety, plant and equipment and costs incurred subsequently to add to or replace part of . If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Motor vehicles	
<ul> <li>Vehicles, tractors and trailors</li> </ul>	5-7 years
Infrastructure	
Electricity Network	10-80 years
Water network	10-80 years
<ul> <li>Roads and bridges</li> </ul>	7-50 years
<ul> <li>Sanitation</li> </ul>	7-80 years
Solid waste - Landfills	15-75 years
Community	
Cemeteries	15-18Years
<ul> <li>Livestock facilities*</li> </ul>	7-80yeard
Municipal Buildings	7-80years
Parks and gardens	7-80years
Sport facilities	7-80years
Housing*	7-80years
Other property, plant and equipment	-
Computer equipment	3-10years
Office equipment	3-5years
Furniture and fixtures	3-10years
Other	3-10years
Other leased Assets # 1	3-5years
Landfill rehabilitation asset	30-72years

<sup>\*</sup>The useful lives of Livestock facilities and Housing were updated with the review and submission of the revised infrastructure register. No disclosures relating to the change in the estimated useful lives has been made as not depreciation were provided in the prior year on infrastructure assets. All changes were accounted for under note 45. - Prior year errors.

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Deprecitation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The municipality recognises computer software cost as intangible assets if the cost are clearly associated with an identificable and unique system controlled by the municipality and have a benefit exceeding one year.

An intangible asset acquired at no or nominal cost, i.e non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

#### Subsequent measurement

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment loss.

The amortisation period and the amourtisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item

Computer software, other

Useful life

5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

#### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

### 1.8 Financial instruments (continued)

- cash;
- a residual interest of another entity; or
- a contractual right to:

Other financial asset2

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Category Financial liability measured at amortised cost Financial liability measured at fair value
Financial liability measured at fair value

Category Class

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- · Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.8 Financial instruments (continued)

#### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

#### 1.9 Tax

#### Value Added Tax

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scope out for VAT purposes. The municipality accounts for VAT on a monthly basis.

#### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.12 Impairment of cash-generating assets (continued)

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate
  of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given
  to external evidence:
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated
  future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the
  asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a
  longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- · cash inflows or outflows from financing activities; and
- · income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.12 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The municipality consider the following indicators, in assessing whether there is any idication that an asset may be impaired:

#### External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset
- Significant long-term chages with an adverse effet have taken place during theperiod in the technological, legal or government policy environment in which it operates.

#### Internal sources of information

- Evidence is available of physical damage of an asset
- Significant long-term changes with an adverse effect during the period in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previouly expeted date
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected

#### Value in use

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.13 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.14 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit valuation method as prescribed by IAS 19.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occure.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

#### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised, except in entity combinations. Contingencies are disclosed in note...

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability
  exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset:

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

#### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

### 1.16 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Use by others of the entity's assets

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

#### 1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exhange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.17 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

#### 1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

#### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year

The comparative figures ahve been restated, additional disclosures are included in note 44.

#### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.25 Subsequent events

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

### 1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The approved budget covers the period from 1 July 2014 to 30 June 2015.

#### 1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Financial Statements for the year ended June 30, 2015

# **Accounting Policies**

#### 1.28 Public private partnership

The municipality has the following PPP's

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance and expansion of the municipal ntwork, inclusive of the revenue management process, as well as the implementation of a regional electrification programme ("the project"). Rural will take over the operation of the existing/ initial assets ("network assets") and will also install new assets ("investment assets"). Rural will be allowed to commission the electricity generation plant for own generation and sale to consumers ("the public") of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the netowork and shallensure there is appropriately insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the Investment assets will trnasfer the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Ruralshall payto theMunicipality a monthly royalty forthe use ofthe Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed except with regards to annual rates increases. Rural shall be intitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statemets will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shallbear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respet of all demonstrable losses and damages including but not limited to, loss of future income as well as market-reated compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 years' notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guidelin when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price;

The municipality controls through ownership, beneficial entitlement or otherwise, any significnat residual interest in the asset at the end of the agreement.

Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:

The underlyingassets in the arragement are recognised by the municipality;

Any unitary payments made are split between the asset and service element;

The municipality recognises a liability with respect to its obligation to the private entity (in the form of a financial liability where the private partywill receive a consideration from the municipality).

#### 1.29 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actually liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note

# **Notes to the Financial Statements**

Figures in Rand 2015	
Figures in Rand	2014

# **Notes to the Financial Statements**

### New standards and interpretations

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Financial Statements for the year ended June 30, 2015

#### **Notes to the Financial Statements**

Figures in Rand					2015	2014
3. Investment property						
		2015			2014	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	60,222,608	(7,386,360)	52,836,248	60,222,608	(6,331,578)	53,891,030
Reconciliation of investment p	roperty - 2015					
Investment property				Opening balance 53,891,030	Depreciation (1,054,782)	Total 52,836,248
			-		( , , , ,	
Reconciliation of investment p	roperty - 2014					
				Opening balance	Depreciation	Total
Investment property			_	54,945,810	(1,054,780)	53,891,030

Fair value of investment properties

80,052,955

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

# **Notes to the Financial Statements**

Figures in Rand	2015	5 2014

#### Property, plant and equipment

	2015					
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	250,920,847	_	250,920,847	250,920,847	-	250,920,847
Motor vehicles	12,849,366	(6,406,596)	6,442,770	12,493,569	(4,306,610)	8,186,959
Office equipment	3,792	-	3,792	(23)	-	(23)
Infrastructure	1,395,282,825	(819, 173, 709)	576,109,116	1,395,282,825	(702, 194, 677)	693,088,148
Community	168,758,492	(84,889,820)	83,868,672	168,758,492	(72,767,447)	95,991,045
Other property, plant and equipment	2,533,719	(2,137,297)	396,422	2,546,720	(1,554,720)	992,000
Landfill Rehabilitation Asset	9,759,738	(3,780,701)	5,979,037	8,970,520	(3,101,619)	5,868,901
Leased Asset	2,516,989	(2,020,608)	496,381	2,510,965	(1,183,620)	1,327,345
Work in Progress	119,910,701	-	119,910,701	96,985,981	-	96,985,981
Total	1,962,536,469	(918,408,731)	1,044,127,738	1,938,469,896	(785,108,693)	1,153,361,203

#### Reconciliation of property, plant and equipment - 2015

	1,153,361,203	23,394,467	(215,888)	331,067	(132,743,111)	1,044,127,738
Work in Progress	96,985,981	22,924,720	-	-	-	119,910,701
Leased Asset	1,327,345	-	-	6,024	(836,988)	496,381
equipment Landfill Rehabilitation Asset	5,868,901	110,136	-	-	-	5,979,037
Other property, plant and	992,000	-	(215,888)	325,043	(704,733)	396,422
Community	95,991,045	-	-	-	(12,122,373)	83,868,672
Infrastructure	693,088,148	-	-	-	(116,979,032)	576,109,116
Office equipment	(23)	3,815	-	-	-	3.792
Motor vehicles	8,186,959	355,796	-	-	(2,099,985)	6,442,770
Land	250,920,847	-	_	-	-	250,920,847
	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Total
Land	-	-	250,920,847	-	-	250,920,847
Motor vehicles	10,186,041	411,129	-	(27,127)	(2,383,084)	8,186,959
Office equipment	-	-	-	-	(23)	(23)
Infrastructure	810,067,179	-	-	-	(116,979,031)	693,088,148
Community	108,113,418	_	-	-	(12, 122, 373)	95,991,045
Other property, plant and equipment	1,246,904	276,337	-	(204,599)	(326,642)	992,000
Landfill rehabilitation asset	2,652,475	5,838,866	-	-	(2,622,440)	5,868,901
Leased assets	2,164,334	102,885	-	(102,885)	(836,989)	1,327,345
Work in progress	72,993,379	23,992,602	-	-	-	96,985,981
	1,007,423,730	30,621,819	250,920,847	(334,611)	(135,270,582)	1,153,361,203

#### Pledged as security

No propety, plant andequipment was pledged as security for any financial liability. Leased assets are secured by the lessor's charge over the leased assets as set out in note 16.

# **Notes to the Financial Statements**

Figu	ıres in Rand					2015	2014
4.	Property, plant and equipr	ment (continue	d)				
Ass	ets subject to finance lease	e (Net carrying	amount)				
	sed assets - Photo copier ma					496,381	1,327,345
	·						
5.	Intangible assets						
			2015			2014	
		Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Con	nputer software, other	1,946,607	(1,820,464)	126,143	1,946,607	(1,780,599)	166,008
Rec	onciliation of intangible ass	sets - 2015					
					Opening	Amortisation	Total
Con	nputer software, other				balance 166,008	(39,865)	126,143
Rec	conciliation of intangible ass	sets - 2014		_			
				Opening	Additions	Amortisation	Total
Con	nputer software, other			balance -	199,210	(33,202)	166,008
	er information		d to bour a finita	life of E years of	acquisition T	ho coffwaro is s	mortised using
	capitalised computer softwar straight-line method over a pe		i to nave a finite	ille of 5 years at	. acquisition.	ne soliwale is a	mornsea asing
6.	Other financial assets						
VKE VKE The	amortised cost 3 Agriculture Limited - Short to 3 Agriculture Limited - Short to 4 member loan bears interest	erm member Lo	an	nd is available o	n	20,739	14,845
VKE What loar	nand 3 Agriculture Limited - Securit en the member fund awards r n account. The loan serves a rest at 4.5% (2012: 5%) per a	mature after 15 y s security again	st the trading ac	count. The loan	bears	14,816	11,570
VKE The Awa	standing balance on the tradir B Agriculture Limited - Membe e member funds arises from a ards do not earn interest or di	er Funds wards earned b vidends and hav	y members base ve a 15 year mat	ed on purchases. turity life and are	then	249,360	244,370
VKI The The	nferred to the securitymember B Agriculture Limited - Member e membership deposit was par e receivable do not earn intere	ership id to open a trac	ding account and s and is repayab	d become a mem le when member	ber. ship	5,000	5,000
VKI The	ancelled. 3 Agriculture Limited - Reserv e reserves arises from special n interest or dividends and ha	awards allocate	ed to members.	special awards d	o not	79,335	79,335

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
6. Other financial assets (continued)	369,250	355,120
Non-current assets Loans and receivables	328,695	323,705
Current assets Loans and Receivables	40,555	31,415

#### 7. Employee benefit obligations

#### Defined benefit plan

#### Post retirement medical aid plan

The municipality has a post employment medical aid fund for its pensioners. The post-retirement medical aid benefits ae in accordance with Resolution 8 of the South African LocalGovernment Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirment, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, willcontinue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirment will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical sheme contributions as at the day immediately prior to the date of his or her retirement.

#### Long service benefits

The municipality's lability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of five year's service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State devision of SALGBC which was signed on July 2010.

#### The amounts recognised in the statement of financial position are as follows:

Ca	rryi	na	val	пе
ou	ı ı yı	118	A C( )	uc

Present value of the defined benefit obligation-partly or wholly funded

(14,457,948) (1	14,674,814)
-----------------	-------------

These obligations are not a funded arrangement, i.e. no serparate assets have beenset aside currently to meet these obligations.

### Changes in the present value of the defined benefit obligation are as follows:

Opening balance Benefits paid Net expense recognised in the statement of financial performance	14,674,814 (652,866) 436,000	11,474,814 (812,000) 4,012,000
	14,457,948	14,674,814
Net expense recognised in the statement of financial performance		
Current service cost Interest cost Actuarial (gains) losses	623,000 1,214,000 (1,401,000) 436,000	427,000 856,000 2,729,000 <b>4,012,000</b>

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
7. Employee benefit obligations (continued)		
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(1,401,000)	2,729,000
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used Medical cost trend rates Expected increase in salaries	8.36 % 7.76 % 7.82 %	8.51 % 7.83 % 7.06 %

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	•
		decrease
Effect on the aggregate of the service cost and interest cost	937,000	764,000
Effect on defined benefit obligation	10,268,000	8,722,000

The municipality expects to pay benefits of :R845 000 towards post retirement medical aid and R947 000 towards long service benefits to its employee benefits in 2016.

The municipality obtained an actuarial valuation for the first time on the post retirement medical aid at 30 June 2010 and for the long service benefits at 30 June 2011.

Amounts for the current and previous four years are as follows:

Defined benefit obligation	2015 R (14,457,948)	2014 R (14,674,814)	2013 R (11,474,814)	2012 R (10,947,945)	2011 R (9,624,299)
8. Inventories					
Consumable stores Water				217,030 233,125	137,510 233,125
				450,155	370,635
Expensed inventory				152,005	995,767
				,	

### Inventory pledged as security

No Inventory was pledged as security for any financial liability.

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
9. Receivables from exchange transactions		
Councillor overpayment Councillor overpayment receivable - Impairment Other receivable* Sundry receivables Mayoral Functions	2,700,802 (863,037) 3,263,817 20,000 (48,000)	2,700,802 (863,037) 1,849,245 20,000 (48,000)
•	5,073,582	3,659,010

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The carrying value of the receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables that are fully performing have been renegotiated in the last year.

The municipality does not hold any collateral as security

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	863,037	863,037
10. Receivables from non-exchange transactions		
Rates - Impairment Rates	25,382,329	(15,091,223) 18,786,910
	6,209,628	3,695,687

#### Receivables from non-exchange transactions impaired

As of June 30, 2015, other receivables from non-exchange transactions of R16 774 727 -00 (2014: R15 833 152 -00) were impaired and provided for.

The amount of the provision was R 15 091 223- as of June 30, 2015 (2014: R12 246 285 -).

The ageing of these loans is as follows:

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

	(17,936,161)	(17,936,161)
Amounts written off as uncollectible	-	147,265
Provision for impairment	-	(2,992,203)
Opening balance	(17,936,161)	(15,091,223)

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivable.

None of the receivables were pledged as security for any financial liability.

Figures in Rand	2015	2014
11. Consumer debtors		
Gross balances	· · · ·	
Electricity	5,270,118 99,412,536	5,280,866 67,555,629
Water Sewerage	78,825,831	58,800,219
Refuse	69,295,269	54,046,457
Sundry consumer services	3,695,933	2,805,609
	256,499,687	188,488,780
Less: Allowance for impairment		
Electricity	(3,980,816)	(5,025,615)
Water Sewerage	(73,888,144) (59,541,584)	(45,273,669) (36,867,243)
Refuse	(52,342,615)	(35,212,853)
Sundry consumer services	(2,791,746)	(30,182,446)
	(192,544,905)	(152,561,826)
Net balance		
Electricity	1,289,302	255,251
Water	25,524,392	22,281,960
Sewerage Refuse	19,284,247 16,952,654	21,932,976 18,833,604
Sundry consumer services	904,187	(27,376,837)
•	63,954,782	35,926,954
Electricity		
Current (0 -30 days)	9,023	34,647
31 - 60 days	8,978	34,480
61 - 90 days	10,020 1,261,281	37,192 148,932
91 - 120 days	1,289,302	255,251
	1,200,002	200,201
<b>Water</b> Current (0 -30 days)	880,698	2,063,365
31 - 60 days	723,452	2,039,834
61 - 90 days	785,348	1,705,201
91 - 120 days	21,541,293 1,358,094	16,473,560
Jnmetered consumption	25,288,885	22,281,960
	10,100,000	
Sewerage	400,000	4 550 060
Current (0 -30 days) 31 - 60 days	498,820 485,510	1,552,860 1,439,690
61 - 90 days	468,148	1,402,550
91 - 120 days	17,831,769	17,537,876
	19,284,247	21,932,976
Refuse		
Current (0 -30 days)	380,097	1,397,227
31 - 60 days	370,860 360,617	1,311,060 1,281,850
61 - 90 days 91 - 120 days	15,841,080	14,843,467
<b>y-</b>	16,952,654	18,833,604

Figures in Rand	2015	2014
11. Consumer debtors (continued)		
Sundry services Current (0 -30 days) 31 - 60 days 61 - 90 days 91 - 120 days	29,508 3,442 3,347 867,890 <b>904,187</b>	94,704 67,281 26,048 (27,564,870) (27,376,837)
Summary of debtors by customer classification		
Consumers + Other Current (0 -30 days) 31 - 60 days 61 - 90 days 91 - 120 days Less: Allowance for impairment	7,064,925 6,162,010 6,249,383 245,874,416 265,350,734 (202,405,265) 62,945,469	10,172,957 4,539,139 4,989,832 173,030,919 192,732,847 (155,301,604) 37,431,243
	62,343,463	37,431,243
Industrial/ commercial Current (0 -30 days) 31 - 60 days 61 - 90 days 91 - 120 days	751,060 599,212 390,936 8,446,309	581,614 247,336 248,123 5,907,088
Less: Allowance for impairment	10,187,517 (7,770,874)	6,984,161 (5,572,500)
	2,416,643	1,411,661
National and provincial government Current (0 -30 days) 31 - 60 days 61 - 90 days 91 - 120 days	465,916 136,015 122,925 1,295,990 2,020,846	902,227 210,523 212,839 7,079,243 8,404,832
Less: Allowance for impairment	(1,541,468)	(6,806,149)
	479,378	1,598,683
Total Current (0 -30 days) 31 - 60 days 61 - 90 days 91 - 120 days Less: Allowance for impairment	8,281,901 6,897,237 6,763,244 255,616,715 277,559,097 (211,717,607)	11,656,798 4,996,998 5,450,794 13,822,364 35,926,954
	65,841,490	35,926,954
Less: Allowance for impairment 91 - 120 days	(211,717,607)	(152,561,826)

### **Notes to the Financial Statements**

Figures in Rand	2015 2014
11. Consumer debtors (continued)	
Reconciliation of allowance for impairment Balance at beginning of the year Contributions to allowance Debt impairment written off against allowance	(152,561,826) (118,325,381) (44,882,190) (34,984,223) - 747,778
	(197,444,016) (152,561,826)

### Credit quality of consumer debtors

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables were pledged as security for any finacial liability.:

### Consumer debtors impaired

The amount of the provision was R 152 441 767-00 as of June 30, 2015 (2014: R11 8325 -00).

### Reconciliation of allowance for impairment of consumer debtors

13. Cash and cash equivalents	(186,558,153) - -	(152,441,767) (34,984,223) 867,837
	(186,558,153)	(186,558,153)
12. Consumer debtors disclosure		
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances Short-term deposits	591,083 28,845	28,957 35,410
	619,928	64,367

### The municipality had the following bank accounts

Account number / description		tatement balaı			sh book balanc	
•	June 30, 2015 Ju	ine 30, 2014	June 30, 2013	June 30, 2015		
ABSA - Primary Account(40-	96,395	37,889	2,349,950	591,083	28,957	2,414,966
5282-3517)				0 500	04.070	0.000
ABSA Call Account (90-9011-	9,529	21,272	2,226	9,530	21,272	2,226
1270)	40.070	44 774	110 720	16,879	11.771	119.738
ABSA Call Account (92-2961-	16,879	11,771	119,738	10,079	11,111	119,730
8782) ABSA Call Account (92-3238-	2.436	2.366	2.366	2.436	2.366	2,306
7538)	2,400	2,000	2,000	2,	-,	_,
ABSA BANK - Fixed Deposit -	-	_	159,861	-	_	159,861
20-6691-9592						
Total	125,239	73,298	2,634,141	619,928	64,366	2,699,097

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
14. Finance lease obligation		
Minimum lease payments due		
- within one year	563,380	965,793
- in second to fifth year inclusive	-	563,380
	563,380	1,529,173
less: future finance charges	(17,425)	(293,865)
Present value of minimum lease payments	545,955	1,235,308
Present value of minimum lease payments due - within one year - in second to fifth year inclusive	545,955 -	868,586 366,722
	545,955	1,235,308
Non-current liabilities	-	366,722
Current liabilities	545,955	868,586
	545,955	1,235,308

The municipality lease photo copier machines under finance lease. The lease term is 3 years and the average effective borrowing rate was 9.5% (2014:9.5%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets to the carrying value of R. (2014: R1 325 231.57).

The municipality did not default on the repayments during the current or prior reporting period. No terms and conditions were renegotiated.

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts  Municipal Infrastructure Grant (MIG)  Expanded Public Work Programme Integrated (EPWP)  Integrated National Electrification Grant  Finance Management Grant  Electricity Effeciency Grant (Demand)	8,516,957 491,058 235,798 17,523 138,829	16,738,146 1,242,823 776,235 127 2,853,834
	9,400,165	21,611,165
Movement during the year		
Balance at the beginning of the year Additions during the year Income recognition during the year	21,611,165 31,134,000 (43,345,000)	13,044,256 33,072,700 (24,505,791)
	9,400,165	21,611,165

The total balance of unspent conditional grants have decreased since 2014 from a total of R21 611 165 to R9 400 165. It should be noted that the National Treasury withheld a total amount of R21 611 165 of the equitable share as a repayment of conditional grants unspent at the end of the financial year (30 June 2014).

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand		2015	2014
16. Other financial liabilities			
At amortised cost DBSA - 61006963 The loan is from the Development Bank of Southern Africa (DBSA) and repayme are payable on a 3 monthly basis in equal installments. The redemption date is 3 December 2021 and the loan bears interest at a fixed rate of 5% on the loan and on the arrears.	31	1,580,246	2,087,270
The municipality defaulted on the repayment terms, the balance of the arrear acc is R29 522.58(2014: R294 209.52). The loan was rescheduled, to the terms and contitions above, on 1 March 2012. The municipality has however; commenced repayment of R50 000 per month, the first payment commenced in March 2014.			
Non-current liabilities At amortised cost	_	1,316,665	1,823,689
Current liabilities At amortised cost	_	263,581	263,581
17. Provisions			
Reconciliation of provisions - 2015			
	Opening Balance	Additions	Total
Rehabilitation of landfill sites	8,970,519	789,220	9,759,739
Reconciliation of provisions - 2014			
	Opening Balance	Additions	Total
Rehabiliatation of landfill sites	3,089,832	5,880,687	8,970,519

The provision for rehabiliation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through investigation to determine the best estimate for the restoration at closure. The investigation comprised a desk study and site walkover. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs (DWA) which falls under the Waste Act (Act No. 59 of 2008).

The Municipality has four active landfill sites as per the infrastructure asset register:

- Frankfort Landfill; (Remaining useful life of 10 years)
- Mafahlaneng Landfill (A license for closure has been applied for for this landfill)
- Ntshwanatsatsi Landfill (Remaining useful life of 15 years)
- Villiers Landfill (Remaining useful life of 11 years)

There were no landfill sites developed, planned or closed during the current or prior reporting period.

A permitt issued to any landfill site before 2008 would have fallen under the Environment Conservation Act, 1989 (Act No. 73 of 1989).

It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licenced as required by the Waste Act (Act No. 59 of 2008).

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
18. Payables from exchange transactions		
Trade payables	58,637,215	30,785,609
Accrued leave pay	15,427,394	12,907,924
Accrued expense 1	41,308,055	314,458
13th Cheque accrual*	1,408,172	1,375,230
Other payables	2,103,926	6,867
Salary control accounts	18,111,611	9,760,682
Retention's on contract creditors	4,781,237	2,504.734
Income received in advance****	6,730,802	6,730,802
Advance payable**	3,400,000	2,000,000
Eskom	15,237,315	36,259,364
Department of Water Affairs (DWA)	77,535,433	59,769,157
Electricity payable***	24,909,461	16,199,572
Auditor-General	5,277,013	2,979,426
	274,867,634	181,593,825

The Municipality defaulted on the payment of suppliers within the legislative 30 days.

#### 19. VAT payable

Tax refunds payables 9,317,657 13,388,504

The Municipality is registered on the cash basis for VAT purposes, this means VAT is only declared once cash is received or actual payment is made. This balance includes VAT which was billed on debtors for services, as well as invoices captured for which payment was not made or received and, VAT outstanding for which payment was received from debtors.

Not all VAT returns were timeouly submitted by due date, although the amounts payable were not paid on or before the due date. Penalties and interest charged on late payment were accounted for an disclosed as fruitless and wasteful expediture.

#### 20. Consumer deposits

Water 819,109 786,920

No guarantees are held in lieu of consumer deposits. These are deposits held by the municipality in respect of consumer accounts which have been opened.

### 21. Financial Instruments Disclosure

#### Categories of financial instruments

2015

Financial liabilities

At amortised cost

Total

<sup>\*</sup>Annual 13th cheque bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year end represents the portion of the bonus which has vested with regards to the current salary from month of birthup until year end.

<sup>\*\*</sup> The Municipality received an advance from Rural Maintenance (Pty) Ltd on 30 June 2014 and November 2014.

<sup>\*\*\*</sup>Being the municipal electricity usage on municipal buildings, street lights, traffic lights, pump stations etc. owing to the service provider Rural Maintenance (Pty)Ltd.

<sup>\*\*\*\*</sup> The Municipality is receiving an inflow af resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.

Figures in Rand	2015	2014
Financial Instruments Disclosure (continued)		
. Financial Instruments Disclosure (continued) Consumer Deposits	040 400	010 100
Finance lease liabilities (Current)	819,109	819,109
Other financial liabilities (Current portion)	545,955 263,581	545,955 263,581
Other financial liabilities (Non-Current)	1,316,665	1,316,665
Ctree interior reprinces (Nor-Surrent)	2,945,310	2,945,310
2014		
Financial liabilities		
	At amortised	Total
Consumer Penecite	cost	700.000
Consumer Deposits	786,920	786,920
Finance lease liabilities (Current) Payables from exchange transactions	868,586	868,586
Other financial liabilities (Current portion)	156,923,846	156,923,846
Other financial liabilities (Non-current)	263,581 1,823,689	263,581 1,823,689
Finance Lease liabilities (non- current)	366,722	366,722
This is a course maximum (non-our out)	161,033,344	161,033,344
		,
22. Revenue		
Service charges	61,461,665	48,865,840
Royalty income	779,299	549,867
Rental of facilities and equipment	435,122	543,056
Administration and management fees received	708,183	538,696
Recoveries	635,273	1,070,688
Other income - (rollup)	659,751	770,175
Interest received - investment Fines	19,675,097	13,063,487
Property rates	119,791 21,152,561	73,870 19,474,278
Government grants & subsidies	102,213,468	96,843,819
eo tommont grante a cascialce	207,840,210	181,793,776
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	61,461,665	48,865,840
Royalty income	779,299	549,867
Rental of facilities and equipment	435,122	543,056
Administration and management fees received	708,183	538,696
Recoveries Other income (rollun)	635,273	1,070,688
Other income - (rollup) Interest received - investment	659,751	770,175
micrest received - mivestinem	19,675,097	13,063,487
	84,354,390	65,401,809
The amount included in revenue arising from non-exchange transactions is as		
follows: Taxation revenue		
Fines	119,791	73,870
Property rates	21,152,561	19,474,278
Transfer revenue		
Government grants & subsidies	102,213,468	96,843,819
	123,485,820	116,391,967

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
23. Property rates		
Rates received		
Residential Commercial Agricultural Less: Income forgone*	17,534,709 15,119,784 1,425,035 (12,926,967)	16,347,134 14,028,082 1,340,704 (12,241,642)
	21,152,561	19,474,278

<sup>\*</sup>Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission. The amount forgone has increased from prior year as a result of more registrations which were done of pensioners who are levied rates on their properties, and an ongoing incentive which the municipality initiated as a mechanism to increase its collection for the 2015 financial year.

#### **Valuations**

Residential	986,197,817 957,251,29	97
Business and Industrial	275,513,822 230,403,14	42
Government	149,506,332 122,096.08	82
Agriculture	2,371,104,339 2,435,135.18	89
Institutional, educational and churches	151,135,941 34,930.3	53
	3,933,458,251 3,779,816,0	63

Valuations on land and buildings are performed every 5 years. The last general valuation roll was done in November 2010 and came into effect on 1 July 2011, and is based on market-related values.

The first R50 000 of the valuation of residential property is exempted from rates.

As per the approved budget the basic rates were adjusted as follows;

R0.007242 (2014: R0.006915) Rate per Rand on the value of rateable residential property R0.016265 (2014: R0.0015491) Rate per rand on the value of rateable business property R0.069069 (2014: R0.065780) Rate per Rand on the value of rateable government property R0.000601 (2014: R0.000573) Rate per Rand on the value of agricultural property R (2013: R0.044900) Rate per Rand on the value of vacant stands

The municipality has commenced with processes to compile a new general valuation roll which will be implemented on 01 July 2015.

#### 24. Service charges

	61,461,665	48,865,840
Refuse removal	12,105,264	13,842,475
Sewerage and sanitation charges	16,696,403	15,312,749
Solid waste	20,183	19,596
Sale of water	31,294,060	18,518,134
Sale of electricity	(414)	(102,286)
Sundry Service Charges	1,346,169	1,275,172

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
25. Government grants and subsidies		
Operating grants		
Equitable share Fezile Dabi District Municipality	76,678,000 790,468	67,799,171 -
Expanded Public Works Program Integrated Grant (EPWP) Treasury and Cooperative Governance and Traditional Affairs (COGTA)	519,980	646,557
Electricity Effeciency Grant (EEDG)	3,000,000 3,861,171	4,538,858 2,145,865
Finance Management Grant (FMG)	1,782,604	1,649,873
Integrated National Electrification Program (INEP) Municipal Systems Improvement Grant (MSIG)	2,764,202 934,000	4,226,212 890,000
	90,330,425	81,896,536
Capital grants		-
Municipal Infrastructure Grant (MIG)	11,883,043	14,947,283
	11,883,043	14,947,283
	102,213,468	96,843,819

### **Equitable Share**

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative service to indigent community member and to subsidise income.

### Municipal Infrastructure grant (MIG)

Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue	16,738,146 20,400,000 (28,621,189)	7,152,429 24,533,000 (14,947,283)
	8,516,957	16,738,146

Conditions still to be met - remain liabilities (see note 15).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifieable projects

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

### Municipal Systems Improvement Grant (MSIG)

	491,058	1,242,823
Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue	1,242,823 1,000,000 (1,751,765)	889,380 1,000,000 (646,557)
Expanded Public Works Program Integrated (EPWP)		
Conditions met - transferred to revenue	(934,000)	(890,000)
Current-year receipts	934,000	890,000

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### Integrated National Electrification Program (INEP)

Figures in Rand	2015	2014
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	776,235	5,002,447
Current-year receipts Conditions met - transferred to revenue	3,000,000 (3,540,437)	(4,226,212)
Conditions thet - transferred to revenue	235,798	776,235
Department of Water Affairs (DWA)		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	127	-
Current-year receipts Conditions met - transferred to revenue	1,800,000 (1,782,604)	1,650,000 (1,649,873)
Conditions that - transferred to revenue	17,523	127
Conditions still to be met - remain liabilities (see note 15).		
Conditions still to be met - remain liabilities (see note 13).		
Electricity Effeciency Grant (EEDG)		
Balance unspent at beginning of year	2,853,834	-
Current-year receipts Conditions met - transferred to revenue	4,000,000 (6,715,005)	4,999,700 (2,145,866)
Conditions mot administration for the conditions and the conditions are conditional to the conditions and the conditions are conditional to the conditional to the conditions are conditional to the	138,829	2,853,834
Conditions still to be met - remain liabilities (see note 15).		
Changes in level of government grants		
26. Other revenue		
Administration and management fees received - third party	708,183	538,696
Salary recoveries Other income - (rollup)	635,273 659,751	1,070,688 770,175
Other income - (rollup)	2,003,207	2,379,559
27. Other income		
Connection fees	40,133	56,391
Ground gravel and soil	10,136	72,437
Income from agency services* Cemetery fees	168,671	53 161,803
Certificates	57,263	72,560
Tender deposits	43,474	29,447
Building plans Sundry income	134,610 205,464	56,781 320,703
•	659,751	770,175

<sup>\*</sup>Income from agency service consist out of the Rural Maintenance (Pty) Ltd electricity assets additions received that were initially recognised as a liability (revenue received in advance) and thereafter recognised as income over the term of the PPP agreement.

Figures in Rand	2015	2014
28. General expenses		
Advertising	431,888	75,923
Auditors remuneration	3,401,026	3,281,396
Bank charges	280,474	263,144
Cleaning	290,920	447,021
Consulting and professional fees	5,924,460	2,419,748
Donations	24,380	43,121
Entertainment	136,592	178,305
Animal Costs	-	47,150
Insurance	1,022,081	637,624
Community development and training	2,350,760	1,017,126
Conferences and seminars	124,129	39,478
IT expenses	2,454,590	1,414,734
Magazines, books and periodicals	735	2,429
Motor vehicle expenses	138,350	93,744
Fuel and oil	2,663,692	3,516,144
Postage and courier	536,309	492,489
Printing and stationery	716,664	641,210
Protective clothing	164,712	1,445,180
Security (Guarding of municipal property)	21,833	17,326
Staff welfare	52,496	21,081
Subscriptions and membership fees	25,736	602,138
Telephone and fax	1,985,314	2,132,234
Travel - local	1,511,987	1,437,442
Assets expensed	-	76
Water	-	42,847
Other expenses	228,244	-
Integrated development plan (IDP)	1,410,581	646,377
Recruitment Expenses	15,826	97,240
Pauper burials	18,084	22,847
Legal fees  Routel of Vehicles and Equipment	273,688	404,361
Rental of Vehicles and Equipment Bursaries	734,536	921,052
Chemicals	191,213	601,010
Audit Committee Sitting Fees	3,314,044	2,148,362
Hadit Committee Citting Fees	122,798	142,980
	30,568,142	25,293,339

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
29. Employee related costs		
Basic	67,116,701	66,373,422
Bonus	3,501,309	3,409,974
Leave	2,693,303	8,179,375
	73,311,313	77,962,771
Remuneration of municipal manager (PI Radebe)		
Annual Remuneration	589,323	548,345
Backpay	27,562	4,354
Contribution to SDL	10,233	9,265
Contributions to UIF	1,785	1,785
Medical and Pension Funds	225,807	224,821
Travel Allowance	225,706 1,080,416	234,086 <b>1,022,656</b>
	1,000,410	1,022,030
Remuneration of chief finance officer (A Hlubi)		
Annual Remuneration	780,265	93,250
Backpay	24,475	-
Contribution to SDL	9,199	1,077
Contributions to UIF	1,785 144,000	297 18,000
Travel Allowance		112,624
	959,724	112,024
Remuneration of the Acting Chief Financial Officer( Mr G Gwanya)		
Annual Remuneration	-	261,950
Acting Allowance	-	346,317
Backpay	-	3,566
Contribution to SDL	-	7,067
Contribution to UIF	<del>-</del>	1,785 50,871
Pension Funds		132,106
Travel Allowance		803,662
	_	003,002

Mr G Gwanya was appointed as the Acting CFO after the resignation of the Chief Financial Officer NN Molefe in March 2013, and acted untill 25 April 2014 after which, Ms. P Nthuping was appointed to act untill the newly appointed CFO Mr NA Hlubi officially started.

Mr NA Hlubi was officially appointed on the 1/04/2014 and commenced duty on the 15/05/2014.

### Public Safety and Service Delivery - MS Malindi

Annual Remuneration	-	616,704
Backpay	_	3,566
Contribution to SDL	-	8,553
Contribution to UIF	-	1,636
Medical and Pension Funds	<b>⇔</b>	139,370
Leave payout	-	148,910
Acting Allowance	-	10,998
Travel Allowance	-	95,882
	-	1,025,619

It should be noted that Mr. MS Malindi was shifted from being the corporate services director in 2013 to being the director for the newly established department termed "Service Delivery and Public Safety", the salary he earned as a director for corporate services is therefore, disclosed as a comparative in the new department.

Figures in Rand	2015	2014
29. Employee related costs (continued)		
Director Community Services - ZE Mofokeng		
Annual Remuneration	E01 21E	E00 E0
Backpay	591,215 22,572	596,52° 3,566
Contribution to SDL	8,260	7,46
Contribution to UIF	1,785	1,78
Medical and Pension Funds	14,692	107,46
JIF Contributions Fravel Allowance	1,785	1,78
Travel 7 Movalise	244,699 <b>885,008</b>	922,898
		JZZ,031
Corporate and human resources (corporate services) NE Radebe		
Annual Remuneration Backpay	756,390	721,224
Contribution to SDL	22,572	3,943
Contribution to UIF	8,714 1,785	8,245 1,785
Cell Allowance	15,600	16,000
acting Allowance	-	6,515
ravel Allowance	96,000	96,000
	901,061	853,712
echnical Services - M Maboya  Annual Remuneration	nical Department.	ng to the 159,387
act that the Department of Land Use and Town Planning was merged into the Tech  Fechnical Services - M Maboya  Annual Remuneration  Car Allowance  Performance Bonuses  Contributions to UIF, Medical and Pension Funds	nical Department	159,387 2,762 595 33,121
rechnical Services - M Maboya  Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other	nical Department.	159,387 2,762 595 33,121 53,129
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other	nical Department.	159,387 2,762 595 33,121 53,129 56,814
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other	nical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440
Annual Remuneration Car Allowance Performance Bonuses	nical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 <b>335,248</b>
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Answer Second S	nical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 <b>335,248</b> ya.
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Other Other Other Other Other Other Alias position has become vacant in March 2013 following the termination of the agree  agree agreement agree and agree agreement agree agreement agree agreement agree agreement agree agreement agree agreement agr	nical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 <b>335,248</b> ya.
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Other Other Other Other Other Ans position has become vacant in March 2013 following the termination of the agree	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 <b>335,248</b> ya.
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Other Other Other Other Also position has become vacant in March 2013 following the termination of the agree layor - JE Segasa Innual Remuneration ackpay ontribution to SDL ension Funds	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 335,248 ya. 431,535 5,550 64,730
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Other Other Other Other  Answer JE Segasa  Innual Remuneration ackpay ontribution to SDL ension Funds ar Allowance	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 335,248 ya. 431,535 - 5,550 64,730 23,472
innual Remuneration car Allowance erformance Bonuses contributions to UIF, Medical and Pension Funds other other other other other other other displayor - JE Segasa  nnual Remuneration ackpay ontribution to SDL ension Funds ar Allowance	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 <b>335,248</b> ya. 431,535 - 5,550 64,730 23,472 165,422
echnical Services - M Maboya  Innual Remuneration For Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Wither Wither Wither Wither  In position has become vacant in March 2013 following the termination of the agree  Payor - JE Segasa  Innual Remuneration  Packpay Packed Allowance  Payor Allowance  Payor Allowance  Payor Allowance  Payor Allowance	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 <b>335,248</b> ya. 431,535 - 5,550 64,730 23,472 165,422
nnual Remuneration ar Allowance erformance Bonuses ontributions to UIF, Medical and Pension Funds ther ther ther ther ayor - JE Segasa nnual Remuneration ackpay ontribution to SDL ension Funds ar Allowance avel Allowance	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 335,248 ya. 431,535 5,550 64,730 23,472 165,422 690,709
echnical Services - M Maboya  nnual Remuneration ar Allowance erformance Bonuses contributions to UIF, Medical and Pension Funds other other other other other other  ayor - JE Segasa  nnual Remuneration ackpay contribution to SDL ension Funds ar Allowance ravel Allowance  ravel Allowance  ceaker - TM Moloi  nnual Remuneration	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 335,248 ya. 431,535 5,550 64,730 23,472 165,422 690,709
echnical Services - M Maboya  Innual Remuneration Itar Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Other Other Other Other Itary Other	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 335,248 ya. 431,535 5,550 64,730 23,472 165,422 690,709
Annual Remuneration Car Allowance Performance Bonuses Contributions to UIF, Medical and Pension Funds Other Other Other Other Other Other Other Other Alias position has become vacant in March 2013 following the termination of the agree  Ilayor - JE Segasa  Annual Remuneration	rical Department.	159,387 2,762 595 33,121 53,129 56,814 29,440 335,248 ya. 431,535 5,550 64,730 23,472 165,422 690,709

Figures in Rand	2015	2014
29. Employee related costs (continued) Travel Allowance	137,599	132,338
Travel Allowance		
	597,938	557,180
Mr AL Mphuthi (Acting Director Technical services)		
Annual Remuneration	235,336	-
Car Allowance	121,521 19,611	-
Annual Bonuses Contributions to UIF, Medical and Pension Funds	78,642	_
Contributions to Oil, Medical and Fension Funds	8,521	_
Backpay	22,572	-
Acting allowance	453,512	-
Cellphone allowance	13,500	-
Bargaining council	318	-
	953,533	-
Mrs MKH Tsotetsi (Acting Director Public safety)		
Annual Remuneration	279,737	_
Car Allowance	144,353	_
Annual Bonuses	23,311	
Contributions to UIF, Medical and Pension Funds	59,914	-
Contribution to SDL	8,489	-
Backpay	22,572	_
Acting allowance	415,259	-
Cellphone allowance	13,500	-
Bargaining council	318	-
	967,453	-
30. Remuneration of councillors		
Councillors	4,946,053	5,235,182
In-kind benefits		
31. Debt impairment		
Contribution to consumer receivables from exchange transactions impairment	40,647,172	34,984,223
provision Contributions to consumer receivables from non-exchange transactions impairment	4,235,018	2,992,203
provision	44,882,190	37,976,426
32. Investment revenue		
Interest revenue	22,603	123,084
Financial Assets	68,540	64,720
Bank Interest charged on trade and other receivables	19,583,954	12,875,683
Interest charged on trade and other receivables	19,675,097	13,063,487
33. Actuarial loss on employee benefits		
oo. Astaanan 1999 on employee benefits	1,401,000	, <u>a</u> =
		(2,716,861)

Figures in Rand	2015	2014
34. Depreciation and amortisation		
Property, plant and equipment	134,354,819	136,869,795
Investment property	-	380,350
Intangible assets	39,842	33,202
	134,394,661	137,283,347
35. Finance costs		
Finance lease liabilities	1,942,751	1,995,960
Cash and Cash equivalents and other	10,117,309	5,853,682
Non-current provisions	41,822	
	12,101,882	7,849,642
36. Auditors' remuneration		
Fees	3,401,026	3,281,396
37. Rental of facilities and equipment		
Premises		
Premises	411,579	531,566
Venue hire	23,543	11,490
	435,122	543,056
38. Grants and subsidies paid		
Other subsidies		
Indigent subsidies	3,547,907	6,746,501
39. Bulk purchases		
Electricity Water	6,729,008	17,199,992
vvalei	17,039,629	10,514,964
	23,768,637	27,714,956

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Payables from exchange transactions       93,273,809       31,397,511         VAT       (4,070,847)       5,760,419         Unspent conditional grants and receipts       (12,211,000)       8,566,909         Consumer deposits       32,189       84,818         Non-current provisions       -       -         41. Commitments       -       -         Authorised capital expenditure       -       40,113,980       58,207,711         Total capital commitments       -       -       -       -	Figures in Rand	2015	2014
Adjustments for: Depreciation and amortisation 134,394,661 137,283,347 Gain on sale of assets and liabilities 9,208 Actuarial loss on employee benefits (1,401,000) 2,718,861 Finance costs - Finance leases 1,942,751 1,995,960 Debt impairment 44,882,190 37,976,426 Service charges on employee benefits (216,866) 3,200,000 Movements in provisions 789,220 5,880,687 Changes in working capital: Inventories (79,520) 168,561 Receivables from exchange transactions (1,414,572) (1,588,155) Consumer receivable from exchange transactions (2,513,941) (108,820) Payables from exchange transactions (2,513,941) (108,820) Payables from exchange transactions (2,513,941) (108,820) Payables from exchange transactions (1,2211,000) 8,566,909 Consumer deposits (12,211,000) 8,566,909 Consumer deposits (12,211,000) 8,566,909 Altready contracted for but not provided for Property, plant and equipment 40,113,980 58,207,711  Total capital commitments	40. Cash generated from operations		
Depreciation and amortisation         134,394,661         137,283,347           Gain on sale of assets and liabilities         (1,401,000)         2,716,861           Actuarial loss on employee benefits         (1,401,000)         2,716,861           Finance costs - Finance leases         1,942,751         1,995,960           Debt impairment         44,882,190         37,976,426           Service charges on employee benefits         (216,866)         3,200,000           Movements in provisions         789,220         5,880,687           Changes in working capital:         (79,520)         168,561           Inventories         (79,520)         168,561           Receivables from exchange transactions         (72,910,018)         (38,646,125)           Consumer receivable from exchange transactions         (2,513,941)         (108,820)           Other receivables from non-exchange transactions         (2,513,941)         (108,820)           Other receivables from exchange transactions         (2,513,941)         (108,820)           Other receivables from exchange transactions         (2,513,941)         (108,820)           Other receivables from exchange transactions         (2,513,941)         (108,820)           VAT         (4,070,847)         5,760,419           VAT         (4,070,81)	Deficit	(152,069,288)	(158,841,689)
Gain on sale of assets and liabilities         9,208		134.394.661	137.283.347
Actuarial loss on employee benefits Finance costs - Finance leases 1,942,751 1,995,960 Debt impairment 44,882,190 37,976,426 Service charges on employee benefits (216,866) 3,200,000 Movements in provisions (216,866) 3,200,000 Movements in provisions (789,220) Tokanges in working capital: Inventories Receivables from exchange transactions (79,520) Consumer receivable from exchange transactions (72,910,018) Cother receivables from exchange transactions (72,910,018) Other receivables from exchange transactions (2,513,941) Other receivables from exchange transactions (1,414,572) Other receivables from exchange transactions (1,2513,941) Other receivables from exchange transactions (2,513,941) Other receivables from exchange transactions (1,2513,941) Other receivables from exchange transactions (1,2513,941) Other receivables from exchange transactions (1,2513,941) Other receivables from exchange transactions (2,513,941) Other receivables from exchange transactions (1,241,000) Other receivables from exchange			-
Finance costs - Finance leases		(1,401,000)	2,716,861
Service charges on employee benefits (216.866) 3.200.000 Movements in provisions 789,220 5.880,687  Changes in working capital: Inventories (79,520) 168,561 Receivables from exchange transactions (1,414,572) (1,588,155) Consumer receivable from exchange transactions (72,910,018) (38,646,125) Other receivables from non-exchange transactions (2,513,941) (108.820) Payables from exchange transactions 93,273,809 31,397,511 Unspent conditional grants and receipts (12,211,000) 8,566,909 Consumer deposits (12,211,000) 8,566,909 Consumer deposits (12,211,000) 8,566,909 Authorised capital expenditure  Already contracted for but not provided for Property, plant and equipment 40,113,980 58,207,711  Total capital commitments			, ,
Movements in provisions         789,220         5,880,687           Changes in working capital:         (79,520)         168,561           Receivables from exchange transactions         (1,414,572)         (1,588,155)           Consumer receivables from exchange transactions         (72,910,018)         (38,646,125)           Other receivables from non-exchange transactions         (2,513,941)         (108,820)           Payables from exchange transactions         93,273,809         31,397,511           VAT         (4,070,847)         5,760,419           Unspent conditional grants and receipts         (12,211,000)         8,566,909           Consumer deposits         32,189         84,818           Non-current provisions         2         2           41. Commitments         28,436,976         35,846,710           41. Commitments         40,113,980         58,207,711           Total capital commitments	Debt impairment	· · · · · · · · · · · · · · · · · · ·	
Changes in working capital:         (79,520)         168,561           Inventories         (1,414,572)         (1,588,155)           Receivables from exchange transactions         (72,910,018)         (38,646,125)           Consumer receivable from exchange transactions         (2,513,941)         (108,820)           Other receivables from non-exchange transactions         93,273,809         31,397,511           VAT         (4,070,847)         5,760,419           Unspent conditional grants and receipts         (12,211,000)         8,566,909           Consumer deposits         32,189         84,818           Non-current provisions         -         -           41. Commitments         -         -           Authorised capital expenditure         40,113,980         58,207,711           Total capital commitments		,	
Inventories   (79,520)   168,561     Receivables from exchange transactions   (1,414,572)   (1,588,155)     Consumer receivable from exchange transactions   (72,910,018)   (38,646,125)     Consumer receivables from non-exchange transactions   (2,513,941)   (108,820)     Payables from exchange transactions   93,273,809   31,397,511     VAT		789,220	5,880,687
Receivables from exchange transactions		(70.520)	168 561
Consumer receivable from exchange transactions         (72,910,018)         (38,646,125)           Other receivables from non-exchange transactions         (2,513,941)         (108,820)           Payables from exchange transactions         93,273,809         31,397,511           VAT         (4,070,847)         5,760,419           Unspent conditional grants and receipts         (12,211,000)         8,566,909           Consumer deposits         32,189         84,818           Non-current provisions         -         -           41. Commitments           Authorised capital expenditure           Already contracted for but not provided for         40,113,980         58,207,711           Total capital commitments         58,207,711		· , ,	,
Other receivables from non-exchange transactions       (2,513,941)       (108,820)         Payables from exchange transactions       93,273,809       31,397,511         VAT       (4,070,847)       5,760,419         Unspent conditional grants and receipts       (12,211,000)       8,566,909         Consumer deposits       32,189       84,818         Non-current provisions       -       -         41. Commitments         Authorised capital expenditure         Already contracted for but not provided for       40,113,980       58,207,711         Total capital commitments       58,207,711			
Payables from exchange transactions       93,273,809       31,397,511         VAT       (4,070,847)       5,760,419         Unspent conditional grants and receipts       (12,211,000)       8,566,909         Consumer deposits       32,189       84,818         Non-current provisions       -       -         41. Commitments         Authorised capital expenditure         Already contracted for but not provided for       40,113,980       58,207,711         Total capital commitments			
VAT Unspent conditional grants and receipts Consumer deposits Non-current provisions  41. Commitments  Authorised capital expenditure  Already contracted for but not provided for Property, plant and equipment  Total capital commitments  (4,070,847) 5,760,419 (12,211,000) 8,566,909 32,189 84,818 32,189 84,818  4,710  41. Commitments  42,436,976 35,846,710	· · · · · · · · · · · · · · · · · · ·		
Consumer deposits Non-current provisions  28,436,976  28,436,976  35,846,710  41. Commitments  Authorised capital expenditure  Already contracted for but not provided for Property, plant and equipment  Total capital commitments			, ,
Non-current provisions  28,436,976 35,846,710  41. Commitments  Authorised capital expenditure  Already contracted for but not provided for  Property, plant and equipment  Total capital commitments			
41. Commitments  Authorised capital expenditure  Already contracted for but not provided for  Property, plant and equipment  Total capital commitments		32,189	84,818
41. Commitments  Authorised capital expenditure  Already contracted for but not provided for  Property, plant and equipment  Total capital commitments	Non-current provisions	<u> </u>	-
Authorised capital expenditure  Already contracted for but not provided for  Property, plant and equipment  Total capital commitments  58,207,711		28,436,976	35,846,710
Already contracted for but not provided for Property, plant and equipment  Total capital commitments  58,207,711	41. Commitments		
Property, plant and equipment  Total capital commitments  10.103.080 58,207,711	Authorised capital expenditure		
Total capital commitments	Already contracted for but not provided for		
10 110 000 50 007 711	Property, plant and equipment	40,113,980	58,207,711
10 110 000 50 007 711	Total capital commitments		
	Already contracted for but not provided for	40,113,980	58,207,711

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### 42. Contingencies

Sewerage leaking into the river

The municipality was taken to court during the 2014 financial year and the case has not yet been concluded:

### 43. Related parties

Relationships Accounting Officer Close family member of key management Joint venture of key management	Refer to accounting officer's report note None None
Associate of close family member of key management Post employment benefit plan for employees of entity and/or other	None None
related parties Members of key management	None

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These trnasactions are recorded at arms length.

Compensation to accounting	officer and othe	r key management
----------------------------	------------------	------------------

Short-term employee benefits 3,980,190 5,749,272

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014
	2015	2014

### 44. Prior period errors

- a. Proprerty, Plant and Equipment cost was understated by an amount of R435 310 525.4, the details are as follows:
- (i)Land was understated by an amount of R250 920 847.10
- (ii) Infrastructure Assets were **overstated** by an amount of R694 282 023.48 as a result of using Replacement cost instead of deemed cost to determine the cost of assets procured prior 1July 2008. The deemed cost was applied to determine the cost currently disclosed on the AFS.
- (iii) Community Assets were **overstated** by an amount of R5 021 572.57 as a result of the application of the Current Replacement Cost method to value assets procured prior to 1 July 2008, instead of the deemed cost.
- (iv) Investment property was understated by an amount of R13 072 223.60 resulting from the incorrect application of Current Replacement cost instead of deemed cost as well as, ommissions which were done when the asset register was initially compiled.
- b. The 2014 Accumulated depreciation opening balance was overstated by an amount of R22 516 063.78 and this was as a result of the fact that the depreciation was previously based on an overstated asset of which, the cost was based on the Current Replacement Cost instead of the Deemed Cost. The break-down of the overstatement is as follows;
- (i) Community assest amounts to (R26 684 332.05) (Understated)
- (ii) Investment property (R2 994 698.81) (Understated)
- (iii) Infrastructure assets R52 195 094 (Overstated)
- c. The Depreciation on Infrastructure, Investment, and community assets was materially understated with an amount of R11 500 021. 26 thus, as a result of errors in cost and the incorrect calculation of depreciation. The break-down is as follows;
- (i) Infrastructure Assets R4 560 889.17
- (ii) Community Assets R6264700.61
- (iii) Investment Property R 674 431.47
- d. Movable asset Costs on the Annual financial statements did not agree with the AFS for 2014, and thus were overstated with an amount of R58 276.17 and was corrected as such, thus changing the carrying value of movable assets on the Annual Financial statements. The break down is as follows;
- (i) Leased Assets R102 886.03 (Overstated)
- (ii) Other PPE (R71 737.30) (Understated)
- (iii) Vehicles R27 127.45(Overstated)

The correction of the error(s) results in adjustments as follows:

### Statement of financial position

Property, plant and equipment
Opening Accumulated Surplus or Deficit

424,352,760 424,352,760 (412,852,738)

### Statement of Financial Performance

Depreciation expense

(11,500,021) (11,500,021)

#### Cash flow statement

### 45. Risk management

### Financial risk management

The municipality's activities expose it to a variety of financial risks: including market risk (fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk

Financial Statements for the year ended June 30, 2015

### **Notes to the Financial Statements**

Figures in Rand	2015	2014

#### 45. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a reslut of the funds available to cover future commitments. The municipality manages liquidity risk though an ongoing review of future commitments and credit facilities.

#### Credit risk

There were no material changes in respect of objectives, policies and processes for managing risks and in methods to measure risk

Credit risks consists mainly of cash deposits, cash equivalent and consumer receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any on counter-party.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumer on an ongoing basis. If consumers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the consumers, taking into account its financial position, past experience and other factors.

Consumer receivables are presented net of an allowance for impairment. Credit risk pertaining to consumer receivables is considered to be high due to a history of non-payment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but, in practice this is difficult to apply. Consumer receivables whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer receivables or receivable from exchange transaction is pledged as security for any financial liability.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from Exchange Transactions	5,073,582	3,659,010
Consumer Receivables from non-exchange Transactions	6,209,628	1,683,504
Consumer Receivable from exchange transactions (Net amount)	63,954,782	35,926,954
Cash and Cash equivalents (Cash balances)	619,928	64,367
Financial Assets	369,250	355,120

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

#### Market risk

### Interest rate risk

Interest rate risk is defined as the risk that thefair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long -term financing.

The entity's interest rate risk arises from non-current borrowings and finance lease liabilities. Instruments issued at fixed rates expose the municipality to fair value interest rate risk. Interest rates on non-current borrowings are not based on prime and therefore fluctuations in prime will not affect the borrowings

Financial liabilities which exposes the municipality to interest rate risk at year end were as follows:

### 46. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

nature of the event.

Figures in Rand	2015	2014
46. Events after the reporting date (continued)		
estimation of its financial effect or a statement that such an experience of the statement of the such an experience of the statement of	estimation cannot be made.	
47. Unauthorised expenditure		
Unauthorised expenditure	110,616,981	37,837,331
48. Fruitless and wasteful expenditure		
Opening balance Fruitless and wasteful expenditure current year	14,153,749	5,669,788
Tameso and Tractoral experience current year	9,756,060 <b>23,909,809</b>	8,483,961 <b>14,153,749</b>
49. Irregular expenditure		1,100,110
Opening balance	05 470 700	
Add: Irregular Expenditure - current year	35,470,569 9,838,403	30,070,538 5,400,031
	45,308,972	35,470,569
50. Additional disclosure in terms of Municipal Finance Managem	ent Act	
Contributions to organised local government		
Opening balance	611,268	499,971
Current year subscription / fee Amount paid - current year	1,044,315	630,542
Amount paid - previous years	(5,000) (611,268)	(519,245) -
	1,039,315	611,268
SALGA subscriptions for the current and prior reporting period.		
Audit fees - Auditor General		
Opening balance	3,149,817	1,180,167
Current year subscription / fee Amount paid - current year	3,401,026	3,158,508
Amount paid - previous years	(1,273,830)	(150,000) (1,038,858)
	5,277,013	3,149,817
PAYE, UIF and SDL		
Opening balance	7,318,855	7,188,103
Current year subscription / fee Amount paid - current year	7,867,266	6,957,479
Interest and penalties	(7,894,049) 932,869	(7,513,725) 686,998
	8,224,941	7,318,855
Pension and Medical Aid Deductions		
Opening balance	10,453,233	1,727,039
Current year subscription / fee Amount paid - current year	16,846,727	16,391,623
nterest paid	(8,077,917)	(8,207,233) 541,804
	19,222,043	10,453,233

### **Notes to the Financial Statements**

		2015	2014
Figures in Bond		2015	
Figures in Rand		2010	2017

### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

### Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at June 30, 2015:

June 30, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hadebe M Japhta U Monaune PM Mosia AS Motloung P Motloung WC Pretorious JJ Rakoloti E	1,608 532 433 1,474 858 1,072 5,395 734	6,344 650 5,179 1,315 7,067 17,747 33,117	7,952 1,182 5,612 2,789 7,925 18,819 38,512 734
	12,106	71,419	83,525
June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hadebe M Jafta UC Monaune PM Mosia AS Motloung P Motloung WC Pretorius JJ	716 532 379 660 519 1,001 4,918	1,683 15 3,547 4,063 15,978 23,330 <b>48,616</b>	2,399 547 3,926 660 4,582 16,979 28,248 <b>57,341</b>
	0,725	40,010	37,341

During the year the following Councilors' had arrear accounts outstanding for more than 90 days.

Hadebe M Jafta UC Monaune PM Mosia AS Motloung P Motloung WC Pretorius JJ	amount 6,344 650 5,179 1,315 7,067 17,747 33,117	- - - - -
		_
	71,419	-
June 30, 2014	Highest outstanding amount	Aging (in days)
Hadebe M Monaune PM Motloung P Motloung WC Pretorius JJ	1,683 3,547 4,063 15,978 23,330	-
	48,601	_

### 51. Budget differences